



**THE MINISTRY OF ECONOMY,
LABOUR AND SOCIAL POLICY**

POLAND

**INTEGRATED
REGIONAL
OPERATIONAL
PROGRAMME
2004-2006**

**COMMUNITY SUPPORT FRAMEWORK
FOR 2004-2006**

WARSAW, FEBRUARY 2004

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Introduction

The Integrated Regional Operational Programme (IROP) is one of seven operational programmes to be used in implementing the 2004-2006 National Development Plan/Community Support Framework (NDP/CSF). The programme develops NDP goals by setting out priorities, trends and amount of funds for implementing the State's regional development policy, to be disbursed in parallel with structural funds in the initial period of Poland's membership in the European Union.

The document has been prepared pursuant to guidelines of Article 18 of EU Council Regulation 1260 of June 21, 1999 laying down general provisions on the Structural Funds.

The strategic choices presented in the programme comply with the trends set out in the National Regional Development Strategy for 2001-2006 (NRDS)¹, while the programme implementation principles are based on EU structural funds and national regulations on public finance, state aid and shared responsibilities for running and implementing regional policy between central and local governments. IROP is a very important implementation instrument for the Government's „Entrepreneurship Development Work” economic strategy, where regional policy is one of the main areas of State impact, both in terms of capital expenditure and further reinforcement of decentralization processes in state governance by legal and financial means.

Based on the analysis of socio-economic differences between voivodships in Poland, goals and strategies designed to achieve them have been formulated in the context of the socio-economic cohesion policy of the entire Community. IROP also sets forth anticipated outcomes of intervention in the course of developmental processes, indicates trends and size of planned commitments for structural funds, and determines the mode of co-ordinating and implementing structural assistance throughout programme implementation.

Intervention trends and measures proposed within the programme framework stem both from the trends and initial evaluation of efficiency of regional-type interventions, undertaken in 2000-2003 as part of the implementation of the Preliminary National Development Plan (PNDP) and, in particular, the Phare Social and Economic Cohesion (Phare SEC) regional development programme, Phare Cross-border cooperation programme as well as voivodship contracts implemented since 2001 under the Law on Rules of Support for Regional Development.

IROP was prepared by the Ministry of the Economy, Labour and Social Policy (MELSP) in close cooperation with regional self-government in all voivodships. Proposed goals, priorities and measures cover the whole of Poland; however most funds differ between regions and locations in their implementation, depending on the socio-economic structure and situation in the voivodships and the development strategy being implemented.

At the implementation stage, IROP is managed nationally by MELSP to ensure coordination and uniform application of agreed rules. Simultaneously, most tasks for implementation will be vested with regional entities, i.e. regional self-government (Marshal Offices - *Urzędy Marszałkowskie*) for project identification, and regional state administration (Voivodship Offices - *Urzędy Wojewódzkie*) for audit, monitoring, payment verification and certification. This is an interim solution, i.e. upon sufficient experience and administrative efficiency being developed by all the entities in implementing measures co-financed by structural funds in Poland's initial period of EU membership, from 2007

¹ Resolution 105 of Dec. 28, 2000, on the adoption of NRDS for 2001-2006 by the Council of Ministers; *Monitor Polski* (Official Journal) No. 43/2000 item. 851

onwards, responsibility for preparing and implementing regional development programmes will be fully delegated to the voivodship self-government level.

1. Socio-economic situation in Poland and the regions at the outset of the 2004-2006 National Development Plan implementation: status description

1.1 Background information

For the most part, Poland is a lowland country, with a total area of 312,685 km² and population of 38.6 Mio. It is located in the geographical centre of the European continent, east of the EU centres. It borders on nine countries, of which two (Denmark, Sweden) by sea only. The state border is 3495 km long, of which 3055 km on land (with EU Member States and associated countries, i.e. Germany, Czech Republic, Slovakia and Lithuania - 1901 km, and other countries, i.e. Russia, Belarus and the Ukraine - 1155 km). Poland's central location in Central and Eastern Europe (in East-West and North-South relations) results in the country being criss-crossed by transportation infrastructure corridors of continental import, identified in the European Spatial Development Perspective (ESDP)² and Poland's Policy Concept for National Spatial Development (PCNSD)³. However the corridors' technical state of repair is unsatisfactory, which is an important barrier not only for increasing socio-economic and spatial cohesion of Poland with the current EU Member States, but also for further integration processes in the European continent.

Spatial differentiation of Poland's economic development is deeply rooted in the history of the country and this part of Europe. 1795-1918 were the years of Poland's lost statehood, and the country's partition between three powers: Russia, Prussia and Austria. After WW2, by decision of the great Powers, Poland took over some of the area previously being part of Germany, but also, at the same time, surrendered 45% of its pre-war territory to the USSR. Despite partial offset in the North and West, Poland's territory shrank by ca. 70 thousand km². New borders and mass resettlements undermined traditional socio-economic relations in many areas, which had its impact on the course of developmental processes. The shifting of borders alleviated historical disproportions between the country's West („A-class Poland”) and East (“B-class Poland”), as most of the “B-class Poland” remained within the confines of then-USSR. Still, most areas east of the Vistula have relatively low levels of growth and development. These are primarily agricultural areas, with fewer and smaller urban centres and malfunctioning socio-economic structure.

In regional terms (at NUTS II level), differences in economic development levels expressed as GDP per capita tend to be at a ratio of ca. 1:2.2, as is the case in the EU countries. There are stronger differences within regions, sometimes at an extreme of 1:5 (Mazowieckie voivodship) at sub-regional level of NUTS III (equivalent to NUTS III in the EU).

² ESDP – study of development and land management prospects for the EU territory, prepared with large input from Member States. It also covers the area of associated countries. The document is not obligatory in nature; however is an important opinion-making instrument for administration and business communities.

³ PCNSD – planning document setting out natural, cultural, social and economic environment and spatial policy goals in Poland. Following the approval of the Council of Ministers (the Cabinet), it sets the foundation for programming supra-local public undertakings which impact the country's town and country planning.

Key problem areas in regional development policy identified⁴ across the country include primarily:

- hard coal mining industry concentration: the *Górnośląski Okręg Przemysłowy* (Upper Silesia Industrial District),
- concentration of some processing industries, especially in the Łódź area, which is the focal point of the textile industry,
- towns dominated by large state-owned enterprises in the defence sector – chiefly in the south-east and centre of Poland,
- areas dominated by former state-owned farms (*PGR*), threatened by lasting social and economic exclusion, stretching from Poland's western border through to the Suwałki-Augustów Lake District,
- peripheral agricultural areas along Poland's north-eastern and eastern borders, lagging in terms of development and barred from direct access to important transportation corridors of international importance.

Since 1st of January 1999, Poland has had a three-tier model of public authority, with independent, elected decision-/ law-making and executive powers at local, regional and national levels. Poland's new territorial make-up combines features of a unitarian state with a decentralized model of public authority. The new territorial composition includes:

- 16 large voivodships (equivalent to regions in NUTS II⁵) of which, in terms of area and population, the Mazowieckie voivodship tops the list (11.4% of country area and 13.2% of population), and Opolskie ranks last (close to four times smaller than Mazowieckie),
- (as of April 19, 2002) 315 counties (*powiat*) and 65 urban centres with county rights (NUTS IV units),
- 2489 municipalities (*gmina*), the basic local government units (corresponding to NUTS V), of which 654 are those in large cities, simultaneously enjoying county rights.

Since July 2000, the NUTS III statistical level has been singled out, with 45 sub-regions covering several county-level units each.

1.2 Development gap between Poland and the EU Member States

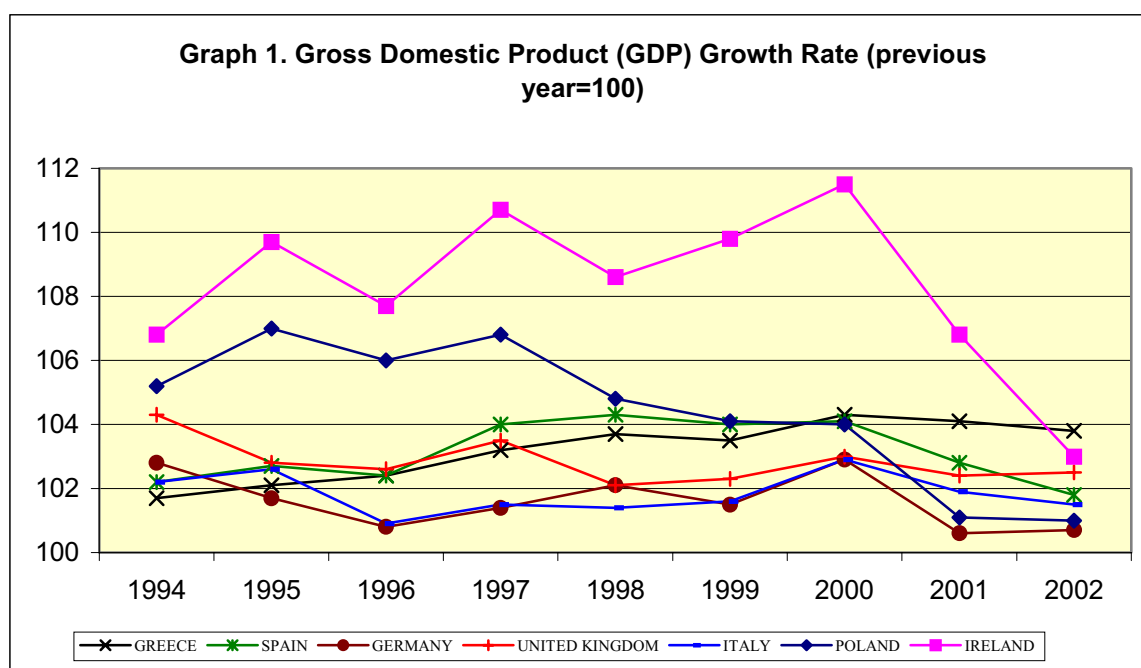
The distance between Poland's economic level achieved today and that of EU Member States is an important factor in formulating goals and priorities for regional development policies. This was taken into consideration, first in the National Regional Development Strategy, followed by the 2004-2006 National Development Plan, where the key goal has been to support competitiveness and effectiveness of intervention measures.

In 1989, Poland embarked on the process of systemic transformations. Per capita GDP estimated at purchasing power parity (ppp) terms in 1991, was ca. US\$ 4,500, i.e. just 30% of the EU average. After a short period of decline in the early 1990's, the GDP growth rate

⁴ 2001-2006 National Regional Development Strategy.

⁵ Currently in Poland, pursuant to the Council of Ministers Regulation of July 13, 2000 on introducing Nomenclature of Territorial Units for Statistical Purposes (*Journal of Laws*, No 58, item 685, as later amended) the effective NTS division corresponds to NUTS

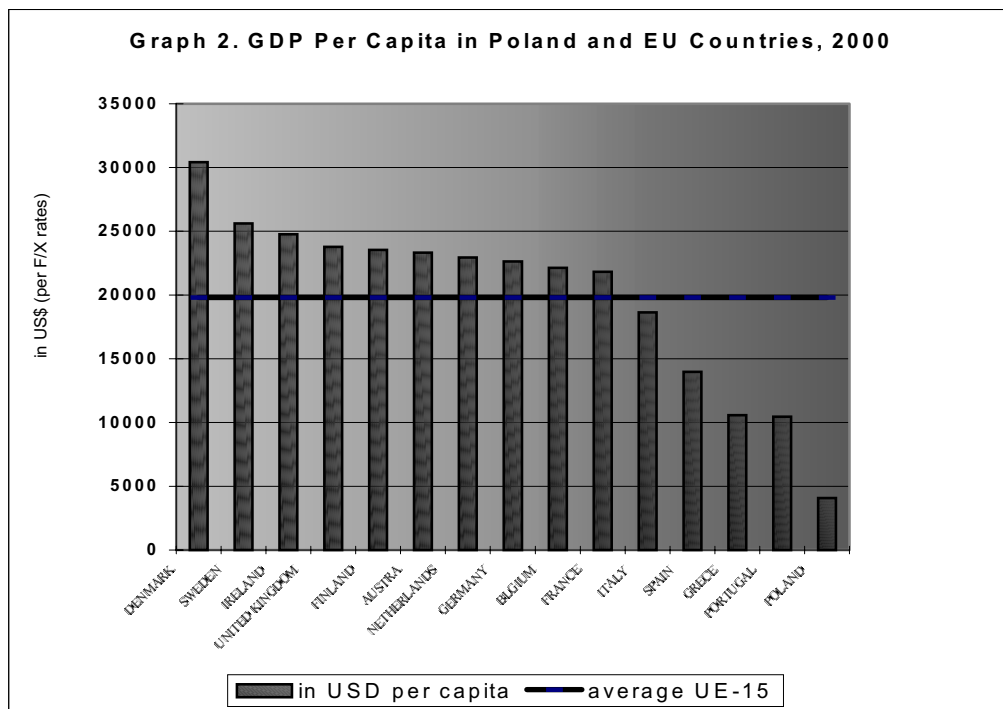
was above the European average. Since 1998, Poland has experienced a steady slow-down in this respect, down to just 1.0% in 2001 that is, for the first time in many years, below the EU average and levels in other central and eastern European Countries (CCEEs).



Source: *Economy Status Report 1999 r.*, Ministry of the Economy, Warsaw 1999; *Economy Status Report 2000 r.*, Ministry of the Economy, Warsaw 2001; *Economic Climate in EU and Central and Eastern European Countries, Poland in 2000-2002*, MoE, Forecasts and Analyses Department, March 2002.

Despite continuous GDP growth since 1992, differences in the level of development between Poland and the EU continue to be sizeable. In 2001, the average per capita GDP at ppp in Poland was ca. US\$ 9,200, i.e. some 40% of the EU average (of US\$ 22,500 per capita). The gap between Poland and the least developed the EU countries (Greece and Portugal), remains large: in the two countries, the 1999 per capita GDP at ppp was US\$ 14,800 and US\$ 16,500, respectively, i.e. 67% and 74% of the average EU15 level. Poland's per capita GDP is also below that of EU candidate countries such as Slovenia (69% of EU average), Czech Republic (57%) and Slovakia (47%).

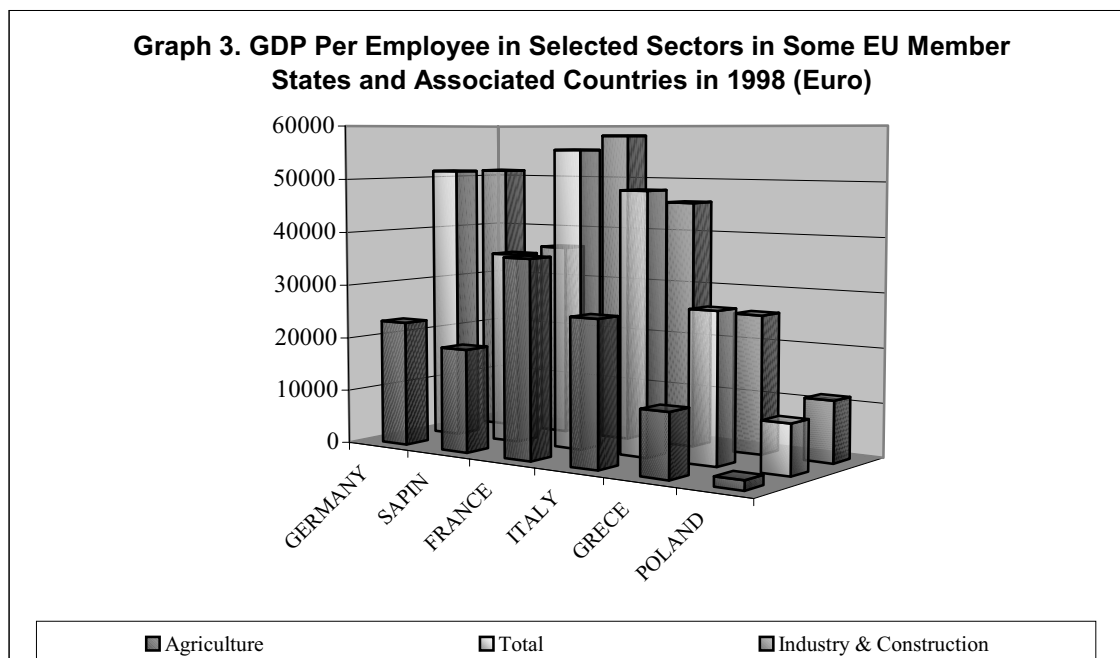
In 2001, GDP in Poland overshoot the €200 bn mark for the first time, standing at €202.7 bn. This ranks Poland as no. 10 among the future 25 EU member states.



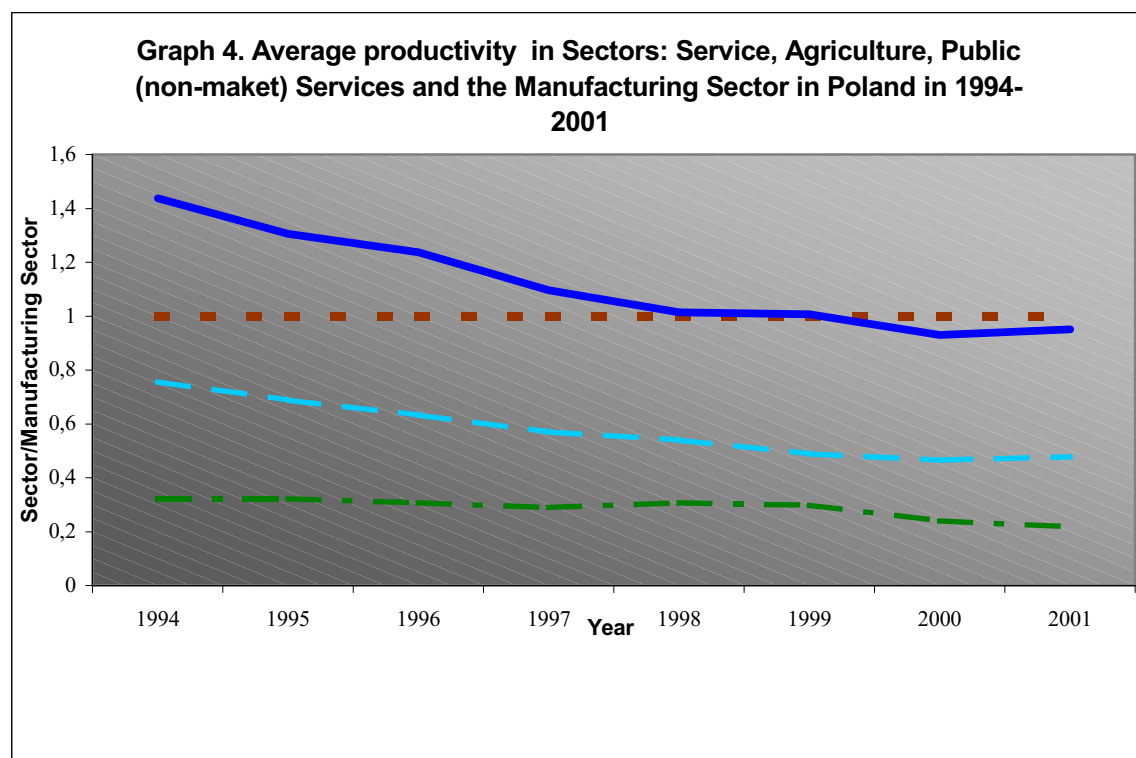
Source: Polish Statistical Yearbook 2001, Central Statistical Office (GUS).

Per capita GDP differences between Poland EU countries are due to:

- lower per capita productivity in all sectors,
- large share of sectors with low productivity in the structure of economy.

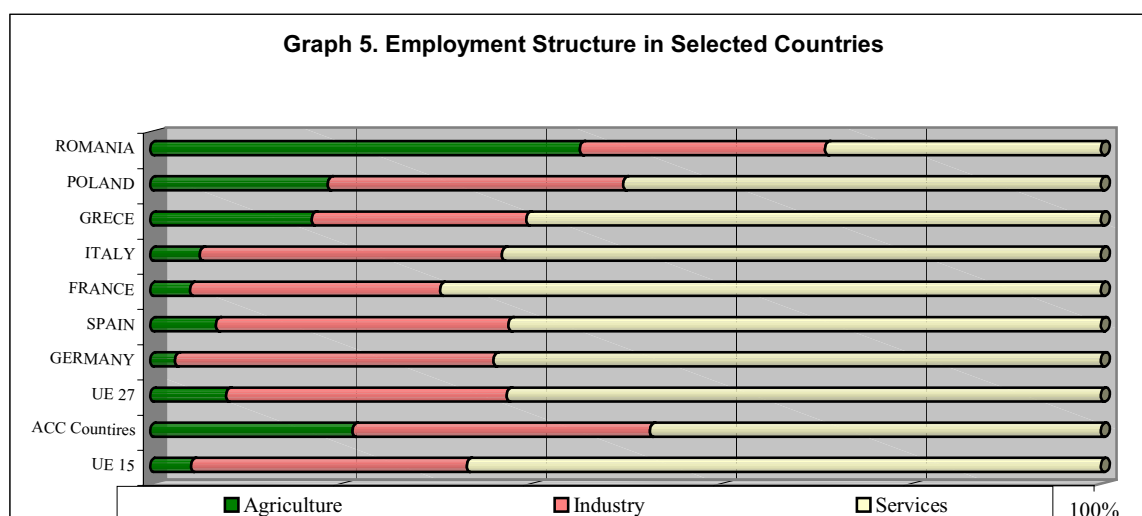


Source: „Unity, Solidarity, Diversity for Europe, its People and its Territory. Second Report on Economic and Social Cohesion, Volume 2 (Statistical Annex), European Commission, January 2001.



Source: Results of modelling the impact of structural funds and Cohesion Fund on Poland's economy by way of the Polish implementation of the Hermin, J.Zaleski, J.Bradley's model.

The key factor behind the differences in productivity and GDP per capita between Poland and candidate countries on the one hand, and the EU countries on the other, is the GDP per employee in agriculture. In Poland, the productivity of agricultural employees is 5% of the corresponding French figure, and less than 15% of Greece (1998). Such low productivity in Polish agriculture, expressed as GDP per employee is, among others, due to the very high share of this sector in total employment numbers; it is six times higher than in Germany, and some 4.5 times higher than in France, comparable only to Greece and 2.3 times lower than in Romania. Differences in the share of agriculture in total employment translate very clearly into differences between GDP per capita.



Source: First Progress Report on Economic and Social Cohesion, Commission of the European Communities, Brussels, 30.01.2002.

Poland's economic growth was generated i.a. by a very dynamic capital expenditure growth in 1993-1997 (2.4% to 22.2%, i.e. several times above the GDP growth rate. In 1998-2000, however, the capex growth rate dropped considerably from 15.3% to 1.4%, with 2001 being the first year of a negative capex figure. Nonetheless, the capex rate continues to be high (22.2% in 2001 against 15.9% in 1993).

Despite considerable capital expenditure growth, the level of innovation in Polish economy continues to be rather unimpressive. The share of R&D expenditure across the country in 2001 (0.65% of the GDP against 2% in the EU) is comparable, however, or above that of the least developed EU countries: 0.9% in Spain, 0.65% in Portugal, 0.49% in Greece, and in candidate countries: 1.26% in the Czech Republic and 0.68% in Hungary. To a larger extent than in other countries, these moneys are spent on basic research (ca. 34% in Poland in 2000, 12% in Ireland in 1993), and to a lesser extent on developmental work (ca. 39% in Poland vs. 52% in Ireland).

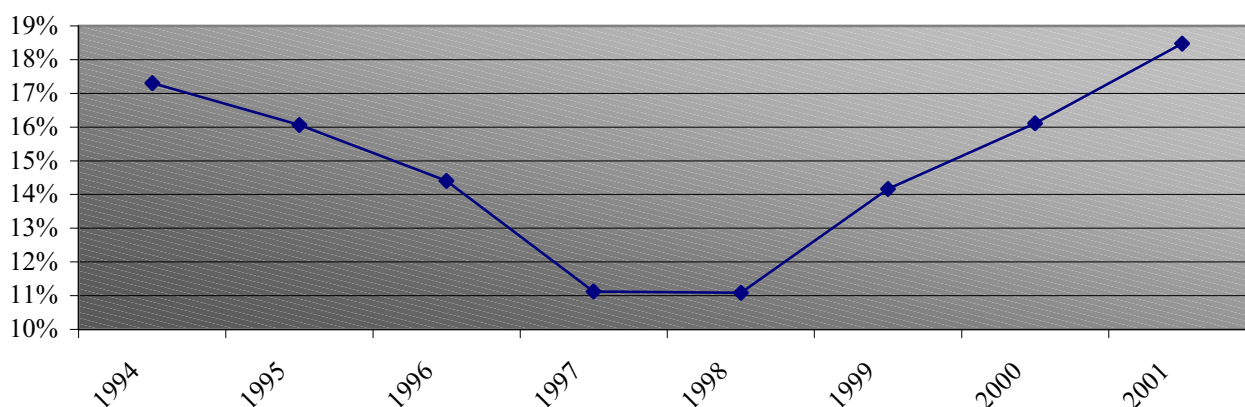
Foreign direct investments are an important factor in modernizing Polish industry. They are the vehicle for new technologies and work organisation that boost competitiveness. In many instances, however, the investors have the sole goal of gaining a domestic market share, with a negative effect for the country's balance of payments. Total FDIs until mid-2002 stood at close to US\$ 57.6 bn, of which ca. 68% was originated in EU countries. Comparable aggregate figures of FDIs totalled US\$ 17.9 bn in Russia, US\$ 25.3 bn in the Czech Republic and US\$ 22.9 bn in Hungary. In FDI per-capita terms, Poland clearly lags behind Hungary or the Czech Republic.

In 2001, the share of proceeds of exports in GDP was at ca. 17.2% (with 16 do 75% in EU countries). In 1990-1999, the share of the Polish economy in global imports and exports grew, respectively, from 0.3% to 0.8% and from 0.4% to 0.5%. Still, Poland's share of global trade remains small, i.e. at ca. 0.8% in imports and 0.5% in exports, characterized also by unfavourable commodity structure. EU continues to be Poland's largest trade partner, accounting for 69.2% country's exports and some 61.4% imports. The current account deficit in 2001 totalled 6.38% of the GDP.

Poland's inflation rate has been dropping systematically: from 27.5% in 1995 to 2.3% in the 3rd quarter of 2002, hence slightly above the EU average. The 2001 budget deficit for Poland equalled 4.5% of the GDP, with the 2002 figure standing at 5.4% (2.1% in 1999 and 2.2% in 2000) against approx. 0.8% in the EU. Public debt in 2001 was ca. 43.2% of the GDP (with 63% across the EU), and reached 49.8% of the GDP in 2002.

By the end of the 3rd quarter of 2002, there were 3.4 million unemployed in Poland, and the unemployment rate of 19.8% (according to BAEL) was well above the EU average of ca.7.7%. Against 1997, past decade's trough year for Poland's unemployment figures, this constitutes an increase by 8 percentage points.

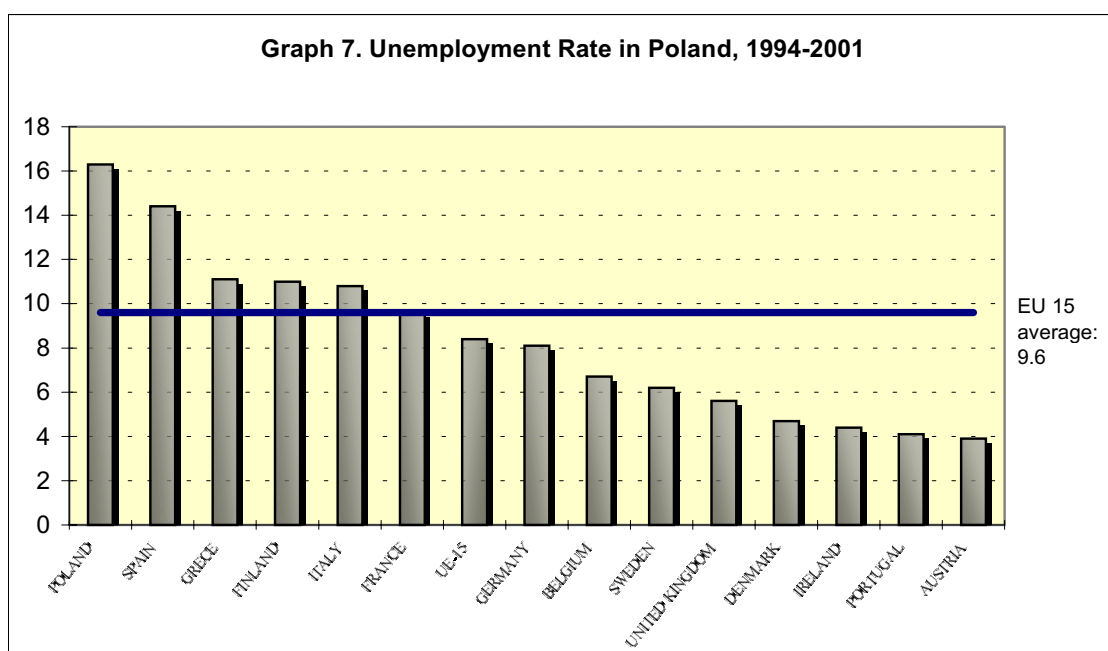
Grahp 6. Unemployment Rate in Poland, 1994-2001



Source: Results of modelling the impact of structural funds and Cohesion Fund on Poland's economy by way of the Polish implementation of the Hermin, J.Zaleski, J.Bradley's model.

The single largest group of the unemployed are young people below 24 years of age (over 29% of the total, with 16.2% in the EU in this age group), and close to 48% of all the unemployed were out of work for at least a year (ca. 44.8% in the EU). Given low productivity in agriculture and continuing restructuring of industrial sectors, there is added unemployment, estimated at some 1.2 Mio potential job-seekers (incl. ca. 0.9 Mio in agriculture).

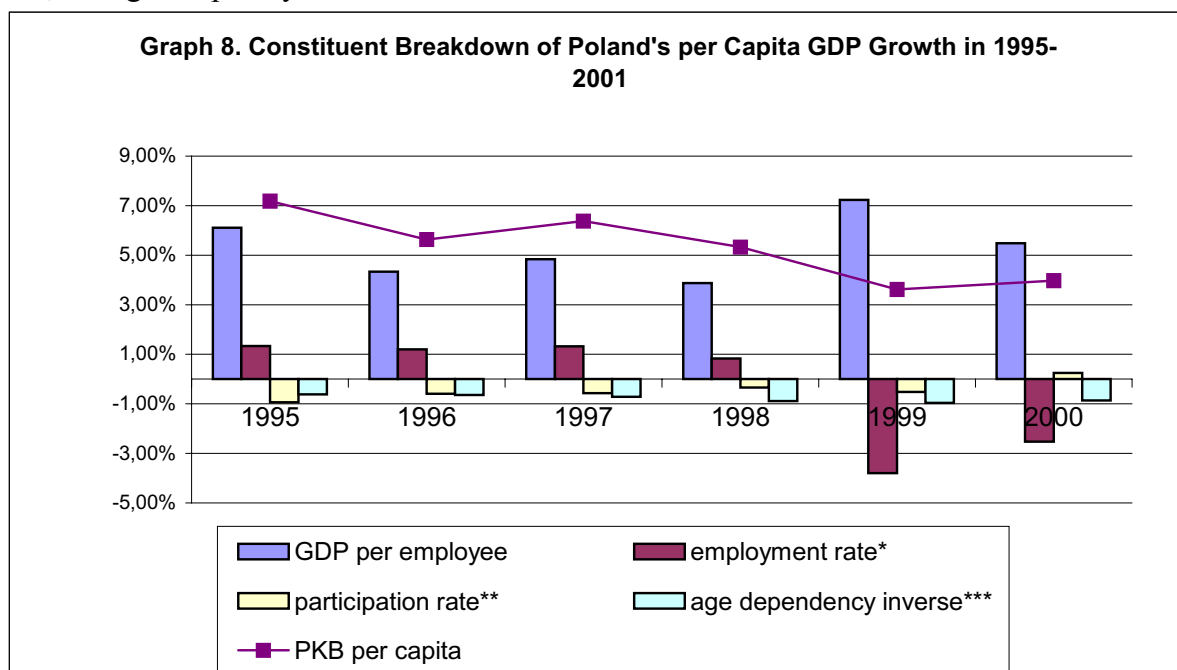
Graph 7. Unemployment Rate in Poland, 1994-2001



Source: First Progress Report on Economic and Social Cohesion, Commission of the European Communities, Brussels.

Against other European countries, Poland's population is relatively young: Poles aged 15 and less make up 19.6% of the population (with 16.9% in the EU), while the 65+ age

group accounts for 12% (ca. 16% in the EU). In 2000, population in productive age grew by 231,400 against prior year.



Source: Results of modelling the impact of structural funds and Cohesion Fund on Poland's economy by way of the Polish implementation of the Hermin, J.Zaleski, J.Bradley's model.

1.3 Socio-economic differences between Poland's regions and the EU

The population of Poland in late 2001 reached 38.6 mn (8th largest in Europe). Population density in 1990's evened out at ca. 123-124 people/ km² (just above the EU average of 116 people/ km²).

Geographical distribution of population across the country is varied. The most populous areas are in voivodships (NUTS II level) comprising industrial zones and large urban centres. The largest population numbers are attributable to the Mazowieckie and Śląskie voivodships (5 mn inhabitants each), with Lubuskie and Opolskie being least populated (ca. 1 mn each).

Population density variations between voivodships tend to be at a ratio of 1:6.6 – from 397 people/ km² in the highly industrialized Śląskie down to 60 people/km² in the Warmia-Mazury voivodship.

Birth rates have been dropping systematically since the early 1990's down to 0.5 per mille in 2001. Some voivodships, in particular those with more prominent problems induced by industrial base restructuring in 1990's, have a negative birth rate, chiefly due to migration to other regions and abroad. These include the Dolnośląskie (-2226), Łódzkie (-8492), Śląskie (-3756), but also Mazowieckie (-3911) despite its superior economic growth rates, as set against the rest of the country.

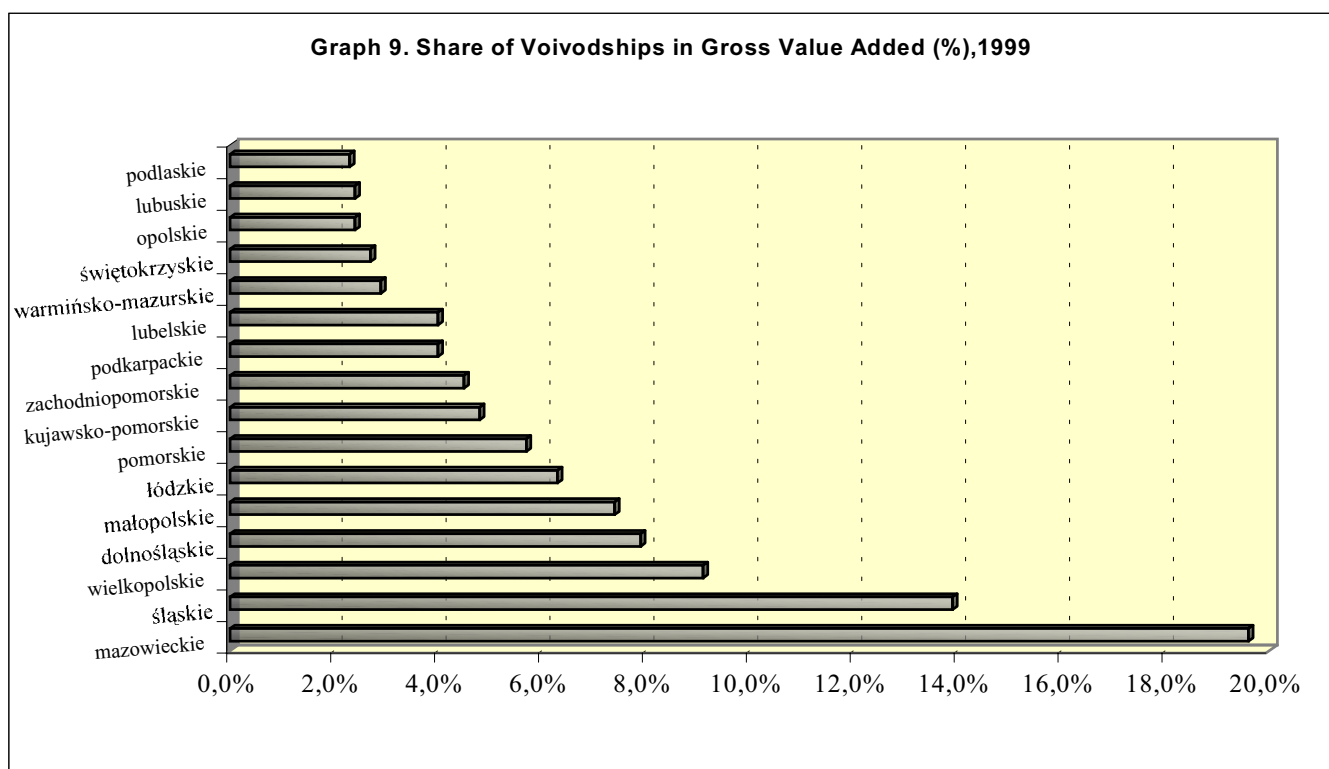
The country's highest birth rates of over 1.4 per inhabitants in 2001 are to be seen in the Małopolskie and Pomorskie voivodships, with Warmia-Mazury also having a relatively high rate of ca. 10‰.

Since the early 1990's, migration from country to town has been on the wane in Poland. In 2001, the balance of migration, between urban and rural areas, was close to its all-time low in the post-war period. There has been a notable recent phenomenon of large city residents leaving inner cities for suburbs.

61.8% of the population lives in urban localities; the figure has not changed for the past 12 years due to low urban birth rates and fewer immigrants from the countryside. Higher urbanisation is characteristic of the country's western voivodships and those with large industrial centres, while eastern Poland is part of Europe's least urbanised areas.

Poland's settlement pattern is characterised by moderate polycentric concentration and, when set against EU Member States and associated countries, its striking feature is one of a polycentric urban settlement pattern, with some dozen or so cities of several hundred thousand inhabitants dominating the distribution pattern, absence of European-wide metropolitan centres (Polish cities and towns are normally ranked in Group Five or Six by various centres), and large rural population living in almost 60 thousand villages.

The economic development level, expressed as per capita GDP (2000 figures) has a varied territorial distribution (1:2.2) on the voivodship level (NUTS II), and is close to average distribution variations in EU countries. It is at its highest in voivodships with the country's socio-economic centres: Mazowieckie (151.6% of the country's average.), Śląskie (110%) and Wielkopolskie (106.6%) where, in the Śląskie, due to factors including coal mining and steel industry restructuring, the relative per capita GDP level compared to the national average has been declining systematically.

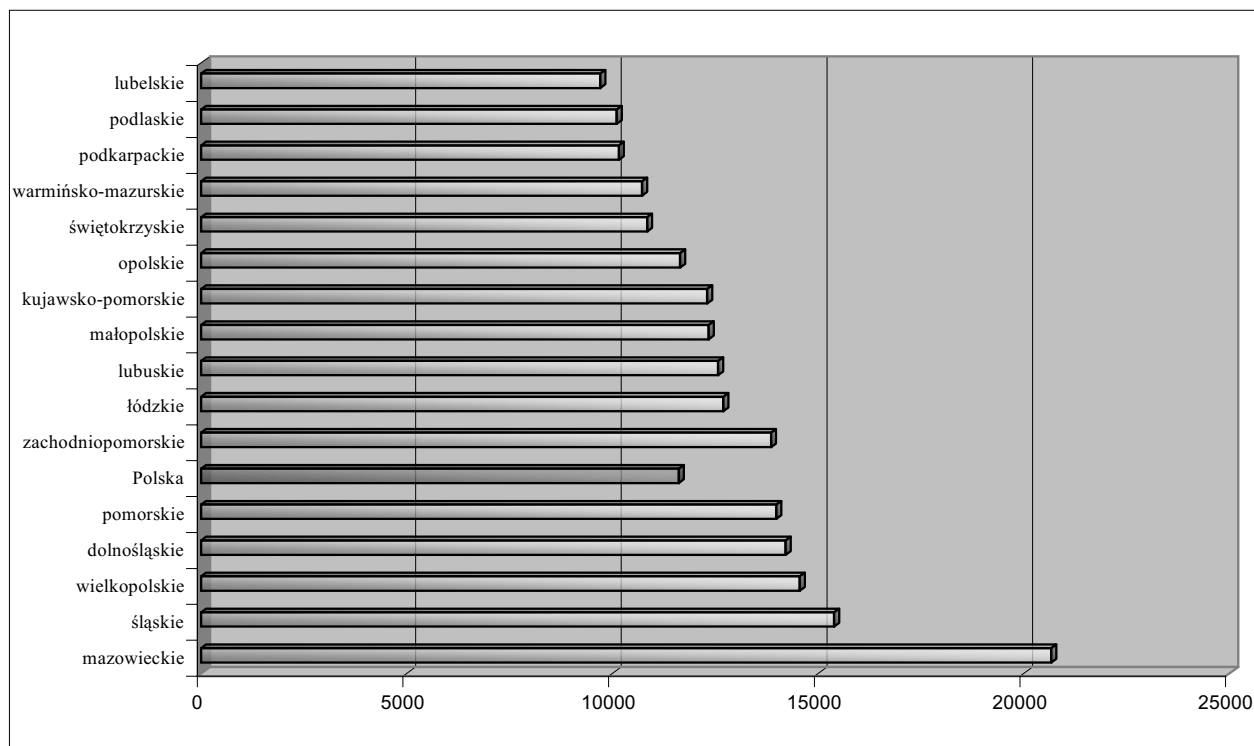


Source: Voivodships Statistical Yearbook 2001, Central Statistical Office (GUS) .

The east of Poland is least economically developed. Lowest per capita GDP figures are characteristic of five neighbouring voivodships: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, Warmińsko-Mazurskie and the east and north of Mazowieckie. Except for the Podlaskie, these areas developed relatively slower than the rest of the country in the 1990's, the result being that inter-regional disparities between the East and the rest of the country have increased slightly. Reasons for continually low GDP per capita levels in these regions vis-à-vis the national average include their largest share of Poland's agricultural population, loss of existing economic base due to restructuring (this applies

chiefly to the Warmińsko-Mazurskie and its problems with former state-owned farms, and the Świętokrzyskie and Podkarpackie with issues around restructuring towns with steel and defence industries), as well as absence of foreign capital commitment. One of the few external developmental factors for these voivodships is cross-border trade with Russia (Kaliningrad district), Lithuania, Belarus and the Ukraine. In result of Poland and Lithuania's accession to the EU, there is a new concern whether this factor's positive impact on the cross-border area development will continue.

Graph 10. Gross Value Added Per Capita (PLN), 1999



Source: In-house calculations based on the Voivodship Statistical Yearbook 2001, Central Statistical Office (GUS).

Eurostat figures⁶ on GDP per capita for NUTS II regions in the EU and candidate countries in 1999 indicate that the development level of Poland's economically most robust Mazowieckie voivodship (with GDP per capita equal to 55% of the EU average) corresponds roughly to the least affluent Greek regions of Ipeiros (51.3%) and Dytiki Ellada (53%), Spain's Extremadura (51.8%) and Portugal's Acores (52.8%). Regions of Prague, Bratislava and Budapest were the only ones in pre-accession countries in 1999 with per capita GDP topping the 75% mark.

Areas that were economically the weakest in relation to EU and Central European countries' regions in 1999 included the Lubelskie, Podlaskie, Podkarpackie, Świętokrzyskie and Warmińsko-Mazurskie voivodships (with GDP ranging within 27-30% of the EU

⁶ First Progress Report on Economic and Social Cohesion, Commission of the European Communities, Brussels, 30.01.2002

average). Per capita GDP in these voivodships is clearly below that of the least affluent regions of Greece, Portugal and Spain upon these countries' accession to the EU: per capita GDP upon EU accession in Greece's least affluent region of Voreio Aigaio was 44% (1986, no data available for accession year 1981), 44% in Spain's Extremadura (1986) and 37% in Alentejo in Portugal (1986).

Infrastructure

Rail network, given the drop in freight and passenger transport in 1991-2000 by ca. 30% and 50% respectively, has been shortened by over 10%. Currently, railways in Poland are 23,000 km long, with a density of 7.2 km/100 km², above the EU average of ca. 5 km/100 km². There are major railway density differences between eastern and western Poland, for the benefit of the latter. Over 95% are standard gauge lines, of which over 50% electrified. Railways of fundamental national and international importance, especially those in European transportation corridors, require modernization and alignment with European standards.

Road network in Poland is 371,800 km length, of which close to 250,000 km (66.9%) are hard surface roads. The hard surface road density ratio stands at 79.9 km/100 km², that is 67% of the EU average of 116 km /100 km²). There are just 398 km of motorways in Poland, thus resulting in a negligible ratio of 0.13 km/100 km², where the EU average is 16 km/100 km². Hard surface road density is relatively low in the north of Poland (Warmińsko-Mazurskie, Pomorskie and Podlaskie voivodships) unlike in the south of the country (Śląskie, Małopolskie, Dolnośląskie and Świętokrzyskie). Road infrastructure is insufficient in rural areas – an average of just 47.4 km voivodship (inter-regional) class roads with hard surface per 100 km². In 2001, lowest density of rural municipal roads was to be found in the Zachodniopomorskie (West Pomeranian) – 20 km/100 km², and the highest in the Małopolskie – 89 km/100 km². In terms of rural access road density, the Kujawsko-Pomorskie voivodship was at its lowest– ca. 33 km/100 km², with the top indicator for Dolnośląskie of 160 km/100 km². Roads in Poland are mostly of inferior quality and do not sustain increasing vehicle loads, thus requiring upgrades, especially surface replacement. The roads' bad state of repair is a factor behind increasing accident rates on public roads: in 1990-2000, the number of accidents grew by 13%, with injuries soaring by 20%. For each 10,000 vehicle users in 2000 in Poland, there were 40.6 accidents. The most hazardous roads are in the Łódzkie, Mazowieckie, Śląskie and Świętokrzyskie (over 19.3 deaths per 100,000 accidents, with the Polish average of 16.3).

Road infrastructure problems are at their most acute in the Warsaw agglomeration and Śląsk conurbation. Both are Poland's largest urban centres: in the Mazowieckie, population density stands at 142 per km², with the top figure for Poland in the Śląskie: 396 per km² (above three times the national average of 124 per km² and EU average of 115 per km²). Throughout the 1990's, Warsaw's transportation and mass transit network was increasingly under-performing, which thus deteriorated the city's quality as a residential, work and tourist destination. The situation was potentially jeopardising FDI inflow. Increasing time of transit from residential areas around city limits in suburban municipalities to city centre have considerably worsened access to places of work and higher-end services located in the inner city. The same could be said of the Śląskie voivodship, where mass transit tends to be at its best in Poland, yet one major nuisance of living in the Katowice conurbation is due to malfunctioning of a mass transit system that is maladjusted to current needs and hampers the region's further growth. There are not enough roads, streets, major through roads, especially in the centre and west of the conurbation which, coupled with a distorted settlement pattern, narrow and winding roadways in a very bad state of repair, damaged bridges and flyovers, slows down transit speed to 15-20 km/h.

Airports. 1991–2001 were high growth years in air transportation. In 2001, passenger flights were 60% up on the 1990 figure, of which 85% to and from foreign destinations. This is still a minor part of air traffic in the EU. In 1999, in Poland, air traffic totalled ca. 5.6 Mio passenger-kilometres (44.1 Mio in Spain, 87.2 Mio in Germany) and 94.2 Mio t/km of cargo (816 Mio t/km in Spain and 6599 Mio t/km in Germany). Passenger traffic is predominantly handled by the Warsaw airport (close to 3.4 Mio passengers, or 90% of Poland's total), with auxiliary airports in Gdańsk, Katowice, Kraków, Poznań and Wrocław (also operating international flights).

Telecommunications/ information society. Recent years have seen a dynamic growth in wire line telecommunications. Tele-density soared from 78 subscribers per 1000 residents in 1989 to 282 in 2000, yet the ratio is still below levels seen in EU countries (583 in France, 566 in Germany, 525 in Greece, 502 in Austria, 417 in Spain, 413 in Portugal). Fixed line telephony varies between regions, with easiest telephone access in the Mazowieckie, and worst in the Podkarpackie, Świętokrzyskie and Warmińsko-Mazurskie. Tele-density in rural areas is below that of urban areas. This is offset by the growth of mobile telephony. The number of subscribers per 1000 residents in Poland in 2001 was 260 (726 for the EU). A mere 14.3% households had a computer (with relatively largest figures for the Mazowieckie - 20%, and lowest in Warmińsko-Mazurskie and Lubelskie - below 11%). The ratio of PCs per 100 residents in Poland in 2001 was 8.5 (30.4 in the EU), where just 1.2% of residents had an Internet connection (3.5% in the EU). In early 2002, there were 4.5 Mio operating Internet connections in Poland for 3.8 Mio users (i.e. 4.5 per 100 residents, with 31.4 in the EU).

Environmental protection infrastructure. Since 1990, human impact on the environment has been diminished, with improving environmental status. Owing to the transformations, environmental degradation has been stopped, emission of pollutants was limited, the rate of deterioration of the air, water, forests, and soil has been decelerated, protected areas have grown, and effective financial mechanisms have been put in place. However, positive trends are coupled with increasing hazards and adverse phenomena, especially in the light of challenges to sustainable development: increasing water deficit, unresolved waste management issues, anti-environmental model of transportation, and detrimental environmental impact of the effects of operation by many companies, especially small and medium-sized ones.

Overall, for the most part of the country, the quality of air and water is good to very good. This does not apply, however, to highly industrialised areas and large urban centres with approx. one third of Poland's population. In the 1990's, dust emissions shrank by 57%, sulphur compounds by 48%, and nitrogen compounds by 28%. Of over 2.3 Mio tonnes of dust and gasses emitted in 2000 (of which 99% was neutralised dust, and close to 43.7% were neutralised gasses) the majority (over 50%) were generated in the Śląskie, Łódzkie, Małopolskie and Mazowieckie voivodships, with relatively little coming from the Lubuskie, Podlaskie and Warmińsko-Mazurskie. Current air pollutant levels are largely due to the adverse mix of power and heat generation sources, 97% of which are coal-based.

The volume of untreated effluents in 1990's was reduced by almost 70%, with treated effluents increasing by 22%. Still, in 2000, as many as 79 Polish towns and cities and 34% of industrial operators discharged effluents directly to the ground or surface waters with no treatment. Treatment plants handled effluents generated by just 53% of the country's population, of which 80% urban and 11% rural. Piped water was available to 91.5% of urban and over 45% rural population, or 75% households. Treatment of rural liquid waste has become an issue, where construction of water pipelines is well ahead of the development

of waste treatment infrastructure. In 1999, there were 1704 operating waste treatment plants in rural areas, but despite a major capex effort to build rural treatment plants, out of 9 buildings with water mains, just one had a sewage system connection in 2000. Water and sewage systems are relatively least developed in eastern and north-eastern voivodships: Lubelskie, Podlaskie and Warmińsko-Mazurskie; and best in Kujawsko-Pomorskie, Łódzkie, Małopolskie and Śląskie. Water and sewage system penetration of rural areas is well below that of towns: in 2000, running water was available in 1,453,300 households, with just 292,400 with sewage mains discharge.

Waste, especially industrial waste management is increasingly balanced. Industrial waste continues to make up over 90% of total generated waste, however. Likewise, municipal waste quantity is on the rise, with over 98% deposited in local landfills. During ecological reviews of landfills in 2000 ca. 1465 municipal landfills were identified. About 10% of municipal waste is dumped in landfills complying with EU requirements or in need of small modernisation. The volume of generated municipal waste is in strong relation to individual consumption levels, consumer model and the society's environmental awareness. Large urban centres, with relatively affluent population, generate up to 1.5 m³ of waste per capita, while in rural areas, the ratio does not exceed 0.5 m³ per annum.

Despite a general improvement of the environmental status, in particular in surface water quality, there are still a number of hot environmental issues. The so-called low emissions, chiefly related to fast-increasing vehicle numbers, are becoming a problem.

Undoubtedly, there has been a great improvement of the environmental status within the last decade, however, with regard to numerous indicators it still does not comply with the standards provided for in EU directives; hence the necessity of wide support for environmental protection measures under the Structural Funds.

The environmental status varies greatly depending on the region. In southern Poland, where most natural resources and all economic districts of traditional industries can be found, the environmental status is much worse than in other parts of the country. In respect of certain environmental status indicators, the environmental status in north-eastern Poland is very good.

Table 1. Selected indicators describing the environmental status in regions

Region	Population using services of waste treatment plants (%)	Sulphur dioxide emission ('000 tonnes)	Waste excluding municipal waste ('000 tonnes)	Share of protected zones in the total area.
POLAND	53,1	1040,2	125484,1	32,5
Dolnośląskie	68,6	72,6	32363,5	20,1
Kujawsko-pomorskie	37,8	35,4	3096,9	31,1
Lubelskie	47,8	21,8	4242,6	22,7
Lubuskie	59,0	6,0	846,5	36,1
Łódzkie	57,5	256,3	5807,8	16,3
Małopolskie	47,0	65,0	10004,5	58,0
Mazowieckie	41,0	131,0	4383,5	29,6
Opolskie	49,4	18,0	2510,1	27,1
Podkarpackie	40,4	15,9	1349,2	47,9
Podlaskie	55,0	6,2	717,8	31,0
Pomorskie	73,4	26,7	1976,1	32,5
Śląskie	61,0	152,3	46844,7	22,1
Świętokrzyskie	40,2	48,7	1913,9	50,2
Warmińsko-mazurskie	62,4	7,4	459,6	53,6
Wielkopolskie	52,5	28,6	3650,8	31,3
Zachodniopomorskie	56,9	21,1	5298,6	20,2

Source: Ochrona środowiska 2001[Environmental Protection], Central Statistical Office (GUS).

Poland's retention reservoirs' capacity is exceptionally small as compared to average annual water flows in rivers. Periodical large precipitation leads to the high water stage in the Vistula and Odra valleys causing floods. It is estimated that ca 7% of Poland's area is particularly exposed to flooding.

In Poland's land use structure, the share of forests is low (29% of total area), especially in eastern and central-eastern part of the country. Some regions have natural assets unique to Europe that are increasingly protected from devastation by man. A total of 32.5% of Poland's population is under legal protection (in various forms) including – at its most stringent – in national parks, or 1% of the country's area.

Social infrastructure. Housing. The health care infrastructure. Characteristically, Poland has insufficient housing, and of low standard. Currently in Poland, ca. 1.5 mn households do not live in a separate housing unit. The average age of housing stock in Poland reaches 40 years, with over 1 mn units that are completely depleted. Over 10 mn residents live in sub-standard housing (of which as much as 44% of the rural population). Despite a steady growth of newly commissioned units (a 20.7% growth in 2001 against 2000) per 1000 residents, Poland (with ca. 2.7 units) lags behind EU indicators (figures for 1996: Belgium – 4.6; France- 6.3; Germany – 6.0).

Access to education services in primary education hardly varies between regions. The largest number of pupils per primary school is found in Pomorskie and Śląskie voivodships.

The largest density of lower secondary schools is characteristic for the Lubuskie, Dolnośląskie and Opolskie, whereby in all voivodships in rural lower secondary schools, there are more pupils per teacher than in towns and cities. The same may be said of upper secondary education. Tertiary education infrastructure concentrates in largest urban agglomerations and cities. In the academic year 2001/2002, there were 364 tertiary education facilities in total, of which 123 public and 241 non-public. The number of students in daytime courses totalled 754,000, i.e. 44.4% of all students. Between public and non-public facilities, those in regular daytime courses accounted for 53.7% and 21.1% of their respective student numbers. Numbers of people aged 19-24 in education have been growing for the past few years, as expressed in gross schooling terms. In the academic year 1990/1991, it was 13.1%, with up to 43.7% in 2001/2002. Hence, over the past decade, the schooling rate in tertiary education has more than tripled. This considerable growth in student population (in the academic year 2001/2002, there were 8.5% more students than in the previous year in tertiary schools of all types), stemming chiefly from greater student numbers in extra-mural and extra-curricular courses, is not echoed by a commensurate school infrastructure expansion (adequately fitted premises), or Internet access.

Access to culture and art institutions and the degree of their effective use in 1990's does vary considerably between regions, and between town and country. At the outset of transformations (chiefly due to financial concerns), a number of cultural establishments closed down, mainly public libraries and those specifically targeting occupational groups, which operated in workplaces, and community cultural centres. In the second half of 1990's, fewer cultural establishments were liquidated or merged, but new establishments are still few and far in-between. The number of public libraries is on the wane (a drop in 1990-2000 by close to 15%, with an eight-fold drop in field branch numbers). Decreasing cultural provision in some areas (public libraries, museum exhibitions, press titles) is offset by a slight increase in others (e.g. performances and concerts). Audience seat numbers in permanent theatres and music establishments in 2000 was up by 6,200 against 1990. The museum network in Poland continues at an almost steady level. There are regional variations both in network density of cultural establishments and the degree of participation in culture. In 2000, the number of population per library outlet ranged from 2673 in the Lubelskie to 5292 in Śląskie; per one seat in permanent theatres and music halls, there were between 338 people in the Mazowieckie and 1278 in Podkarpackie; and in permanent cinemas: from 125 spectators in Mazowieckie to 236 in Kujawsko-Pomorskie. Disproportion in access to cultural institutions in town and country has become more permanent, if not more acute at times – population per library outlet in rural areas has almost tripled over the decade. In villages and small towns, cultural provision is shrinking, and so is the number of cultural establishments.

Poland is a country where there are considerable disparities in the level of healthcare infrastructure development between regions. Excessive dispersion of financial resources assigned to healthcare services, uneven adaptation of hospitals as well as medical equipment cause differences in availability and quality of healthcare services. For example one unit of mammograph is supposed to serve 78.000 people in Poland as a whole (103.000 people in Kujawsko-Pomorskie voivodeship, 124.000 people in Łódzkie, 85.000 people in Małopolskie, 266.000 people in Opolskie, 100.000 in Podlaskie, 162.000 people in Świętokrzyskie, 158.000 people in Warmińsko-Mazurskie). One unit of angiography serves 281.000 people in Poland as a whole (413.000 people in Kujawsko-Pomorskie voivodeship, 1,099.000 people in Lubelskie, 356.000 people in Lubuskie, 373.000 people in Łódzkie, 323.000 people in Małopolskie, Opolskie – there is no one unit, 526.000 people in Podkarpackie, 302.000 people in Podlaskie, 432.000 people in Świętokrzyskie).

In regions in which healthcare infrastructure is undeveloped medical equipment is generally older, intensively used up and more exploited. This situation can cause threats for patients as well as for service persons. Regions with weak health care infrastructure include in particular the following voivodships: Kujawsko-Pomorskie, Łódzkie, Opolskie, Podkarpackie, Podlaskie, Świętokrzyskie i Warmińsko-Mazurskie. Availability of highly specialist researches is also highly limited there. This makes early detection of sickness impossible. For example the level of match of cruising amounts to 449,8 cases of death out of 100.000 citizens – in accordance with GUS and the level of tumor diseases amounts to 223,2 cases of death out of 100.000 citizens – in accordance with GUS. The two above-mentioned diseases are the most frequent reason of death in our country.

During the last few years there has been a noticed decrease in the investments in healthcare system in Poland. In 1999 the majority of healthcare units was transferred into self-government units. Self-governments budgets were not financially prepared to incur costs of hospitals or health centers or to purchase medical equipment. As a result the purchase of medical equipment was limited. What is more, the investment processes of building new hospitals have been limited in Poland during the last 30 years. Such a situation makes many objects obsolete and inadequate to meet quality demands imposed by the development of medicine.

The situation is slightly better in highly specialized clinical hospitals situated in large cities (such as Białystok, Bydgoszcz, Gdańsk, Katowice, Kraków, Lublin, Łódź, Poznań, Szczecin, Warszawa, Wrocław). But even among those units considerable disparities in the level of the quality and number of equipment units exist. Centers located in the eastern part of the country are much worse equipped.

It is worth to underline that the biggest problem of Polish health care is not the number of beds available in hospitals but the quality of services. Statistic data shows that the number of beds available in hospitals in our country is to be compared with other European countries. According to OECD data in 2001 the number of emergency beds for 10.000 citizens was in Poland 50, in Germany 63, in Great Britain 39 and 33 in Holland.

During long period of time sport was not a priority area in governmental policy. The level of investment was insufficient. At present there are 4339 sports clubs and about 8000 pupils sport clubs in Poland. 385.000 participants belong to 8089 sport units. In spite of this only 1,5% budget of self-territorial government units spend on sport activities.

The condition of sport infrastructure is not comparable between the EU standards. Almost all of these sport infrastructures have to be modernized and re-equipped especially in small towns and rural areas. The same situation is in Polish education system. The sport activities are constituted as an obligatory subject but lack of appropriate quality of sport facilities cause limitation in growth of population.

Manufacturing sector

Poland's regional economic potential is illustrated by the table below:

Table 2. Gross Added Value per Employee by Sectors and Business Lines in Voivodships, 1999. Poland =100

No.	Voivodship	I	II	III	IV	V	Total, Poland=100
1	Dolnośląskie	131.4	104.0	98.3	103.1	100.3	114.5

2	Kujawsko-Pomorskie	104.5	93.9	96.2	91.3	97.4	95.2
3	Lubelskie	72.2	81.7	91.6	93.4	93.2	65.4
4	Lubuskie	186.3	92.7	100.1	87.8	95.1	103.3
5	Łódzkie	86.0	88.1	89.8	98.6	97.9	90.0
6	Małopolskie	48.5	104.7	85.1	87.8	98.2	83.5
7	Mazowieckie	127.0	121.5	120.0	126.0	114.1	131.6
8	Opolskie	103.2	100.0	101.0	86.0	100.4	91.8
9	Podkarpackie	43.4	87.9	87.4	85.3	93.1	65.1
10	Podlaskie	91.1	84.3	94.9	91.8	98.7	73.8
11	Pomorskie	143.5	110.1	105.9	94.5	101.3	115.6
12	Śląskie	96.3	98.6	92.4	99.3	95.1	113.7
13	Świętokrzyskie	66.4	90.7	118.9	88.0	95.3	70.7
14	Warmińsko-Mazurskie	168.4	88.4	93.6	85.8	96.9	92.8
15	Wielkopolskie	177.7	101.4	106.1	94.7	99.4	103.3
16	Zachodniopomorskie	222.4	102.4	95.3	95.3	103.5	114.0

Source: Gross National Product by Voivodships 2000, Central Statistical Office.

I – agriculture, hunting, forestry, fisheries and fishing

II - industry

III - construction

IV - market services

V – non-market services

Industry (including construction) generates 33.7% of gross added value (2001). The largest share of this sector in gross added value is attributable to Śląskie and Wielkopolskie voivodships, and the lowest to Lubelskie and Podlaskie. In 2001, there were ca. 15,300 businesses with registered industrial operations (down by 3% from 2000). They were mostly present in the Śląskie, Mazowieckie and Wielkopolskie voivodships (ca. 36% of the entire number). They account for close to half (48.8%) of industrial output sold. Conversely, the five voivodships with the smallest value of output sold (Podlaskie, Lubuskie, Świętokrzyskie, Opolskie and Warmińsko-Mazurskie) have a share of just 11.1%. Highest growth rates in industrial output sold are characteristic for the Mazowieckie, Wielkopolskie, and Podlaskie. Employment in industry has dropped in all the voivodships, to the highest degree in Śląskie and Opolskie, where coal mining industry is now being restructured. Lower average employment numbers in industrial manufacturing is conducive to boosting productivity (higher output in current prices per employee in industry). Productivity rose in 15 voivodships, with the highest momentum in the Mazowieckie, Warmińsko-Mazurskie and Łódzkie. Labour productivity in industry fell in the Lubelskie.

Agriculture, hunting and forestry in 2001 generated less than 3.3% of gross value added, with the highest share in the Lubelskie, Podlaskie, Wielkopolskie, Opolskie and Warmińsko-Mazurskie. The sector's characteristics include over-employment, farm fragmentation, low productivity and little marketable output. Most individual farms operate to cater just for the needs of the resident household. Average farm surface in Poland in 2001 was 9.5 ha, incl. 8.3 ha of agricultural land. In Poland in 2001, there were 1,885,800 farm holds with an area of more than 1 ha, of which 1,884,200 in the private sector and 1600 public. As per the 1996 agricultural census, of 2,041,400 private farms (over 1 ha), 49,400 (or 2.4%) were operating on a non-permanent or temporary basis, 260,000 (12.7%) catered purely for own needs, 764,400 (or 37.4%) produced mainly for own needs, with excess output marketed, 967,500 (or 47.4%) produced chiefly marketable output. Over 90% in the latter category are farms with 15 ha or more of agricultural land. Small acreage farms did

not participate in market provision to a large extent (75% of farms with 1-5 ha produced largely or chiefly for own needs, and 3.8% did not engage in farming temporarily or permanently).

Ownership structure changes. Following twelve years of implementation of a large-scale programme of ownership transformations the number of state-owned enterprises, estimated at 8453 in 1990, has dropped significantly resulting from various forms of ownership transformations and economic processes such as privatisation, winding up, bankruptcy, ownership transfer to local self-governments (municipality takeover process).

Even though private firms make up the majority (265) of the 500 largest firms in 2001 and despite the programme of ownership transformation, state-owned enterprises still dominate Poland's economic situation. Almost all the ten largest employers in Poland are state-owned. The restructuring problems of these firms will affect the situation on the labour market and the condition of the public finances sector.

According to the data at end-2002, in consequence of privatisation processes, the State Treasury was in possession of 636 state-owned operating enterprises, of which 133 were given the Ministry of State Treasury's acceptance of direct privatisation. In other 828 state-owned enterprises legal proceedings were instituted to wind them up: 186 state-owned enterprises are subject to the liquidation and 645 to bankruptcy procedure. At the same time the State Treasury had shares in 1657 commercial law companies, of which in 513 – the majority stake (the decisive majority of these companies are being currently prepared for privatisation).

Ownership transformation processes vary by region. Most frequently privatised state-owned enterprises are in the Śląskie, Mazowieckie and Dolnośląskie, with the smallest numbers in Świętokrzyskie and Podlaskie.

Region	Procent
POLSKA	11,5
lubelskie	6,5
opolskie	7,5
podlaskie	7,5
łódzkie	7,5
lubuskie	8,5
warmińskomazurskie	9,5
wielkopolskie	9,5
kujawsko-pomorskie	9,5
śląskie	11,5
mazowieckie	12,5
małopolskie	13,5
pomorskie	15,5
zachodniopomorskie	15,5
świętokrzyskie	18,0
dolnośląskie	30,5
Aglomeracja województwa	30,5

In 2001, there were 11.2 Mio people working in the private sector (or 74.9% of total active population), a 3.8 Mio growth from 1990 (45.1% of total active population).

The SME regional distribution points to concentration in large urban centres and areas with well developed and diversified industry. Voivodships with the largest numbers of SMEs per 1000 population, i.e. those encompassing 40% of businesses in that category included Mazowieckie, Zachodniopomorskie, Łódzkie, Lubuskie and Pomorskie. Likewise, SME numbers have grown largely in those with the strongest existing concentration due to the presence of large urban areas. The least entrepreneurship is characteristic of Lubelskie, Podkarpackie, Podlaskie and Warmińsko-Mazurskie.

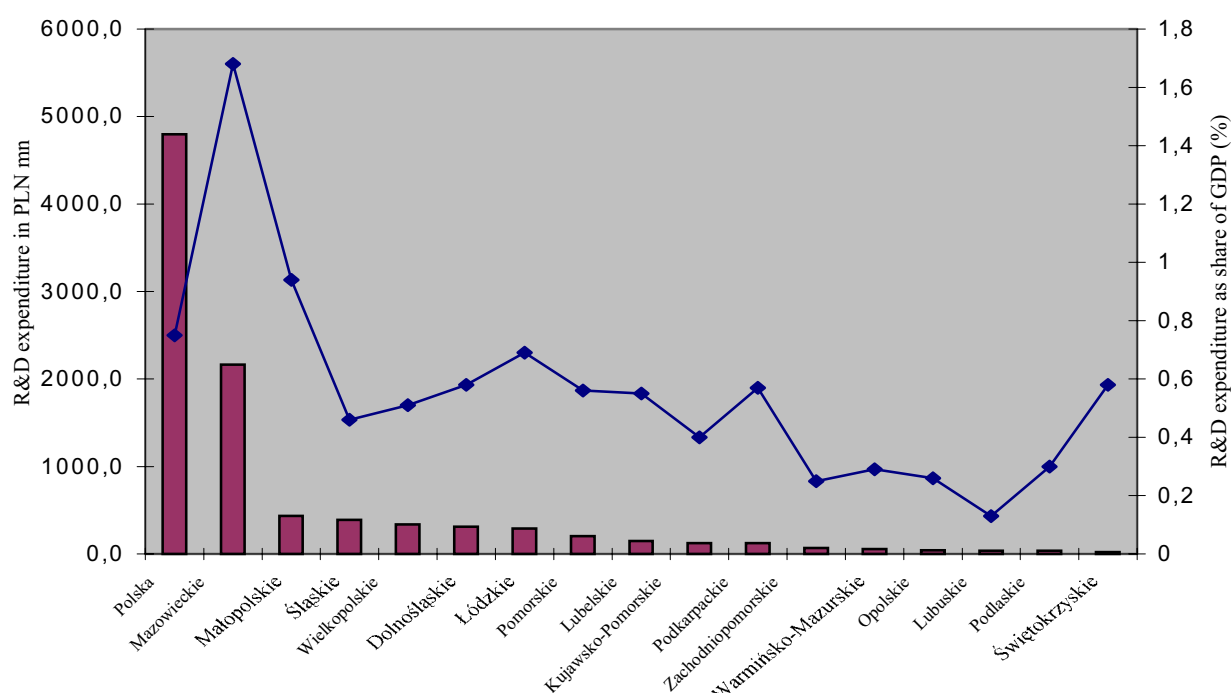
Business environment. Economic transformation has spurred intensive growth of institutions that support the growth of undertakings, i.e. companies providing financial, insurance, information and real estate trade-related services. Numbers in this category per 10,000 population vary between regions. Business environment institutions spring up

chiefly in the Mazowieckie and voivodships along the German border: Dolnośląskie, Zachodniopomorskie and Lubuskie, and the least frequently in: Świętokrzyskie, Lubelskie and Podkarpackie.

Foreign investments. Statistics of the Polish Foreign Investments Agency indicate that there was a total US\$ 7.1 bn worth of FDI inflow in 2001. Against previous years, this marks a slight decrease in these terms. Foreign investors prefer regions largely urbanized, with well-developed infrastructure, highly skilled workforce and easy access to office space and manufacturing facilities. Mazowieckie, Śląskie and Wielkopolskie have captured close to 50% of all FDIs in Poland. The list ends with Lubuskie, Opolskie and Podlaskie.

Research and development. In 2000, total internal expenditure on R&D in all units of this type reached ca. PLN 4.8 bn and was below the 1999 level in real terms. While the share of expenditure on R&D in GDP (of 0.65% in 2001) is comparable to many EU countries, its per capita value is at least twice as small. For several years, there has been a systematic drop in the number of patent applications and designs, and the share of undertakings which have implemented at least one innovation over the past three years is below the EU average. In Poland, the share of undertakings that are funding sources for R&D is low – ca. 24.5% (down by ca. 6% from 1999), with the 1995 EU average of 62.1%. Institutional infrastructure indispensable for R&D (tertiary learning establishments, Polish Academy of Sciences' facilities, R&D units, entrepreneurs and private research institutes) is relatively well developed in Poland. In correlation with the location of scientific and academic centres, there is a natural sizeable disproportion in the regional distribution of R&D expenditure across the country. There is a very strong 45% concentration of this type of expenditure in 2000 in the Mazowieckie (with another 17% attributable to Śląskie and Małopolskie). The least amounts for R&D are allocated in Opolskie, Świętokrzyskie, Lubuskie and Podlaskie (with the total share of 2.7%).

Graph 12. Research and Development Expenditure in 2000 (% GDP, 1999)



Source: Voivodship Statistical Yearbook 2001, Central Statistical Office (GUS).

Tourism. In 1990's, Poland has been a growing business and tourist travel destination, with numbers of foreigners visiting the country growing by a factor of more than 5. The number of tourists using hotel accommodation rose by 50% from 1990 and totalled over 14.6 Mio in 2000, where the rate of incoming foreigners stagnated in 1997-1999, and fell in 2000. 61.4 million foreigners crossed Polish borders in 2001. This marks a sizeable drop against the previous year (of 27.3%). Most frequently visited tourist areas were in the Małopolskie, Śląskie, Zachodniopomorskie, Pomorskie voivodships, and in the Warsaw metropolitan area. As estimated for 2000, Poland's tourism and travel-related industry contributed to generating 2.2% of GDP (or US\$ 3.8 bn). As initially estimated by the Tourism Institute, the share of tourist industry in GDP in 2001 was 4.6% (with tourism revenue¹ reaching PLN 33.5 bn).

Tourist infrastructure access varies between regions. Penetration of higher-end hotels (an important measure of the region's development level) in the Śląskie voivodship is ten times that of Podlaskie. In terms of the number of hotels per 10 thousand km², the best situation in southern Poland: Śląskie, Małopolskie and Dolnośląskie, while Świętokrzyskie, Lubelskie and Podlaskie lag behind. Low indicators in regions with large urban centres (Mazowieckie, Pomorskie, Wielkopolskie and Łódzkie) indicate major shortcomings in this regard. Shortages are particularly in the infrastructure facilitating spa tourism to tap into unique treatment and recreational assets of many regions in Poland. Year 2000 statistics speak of barely 140 spa establishments with 25,400 beds.

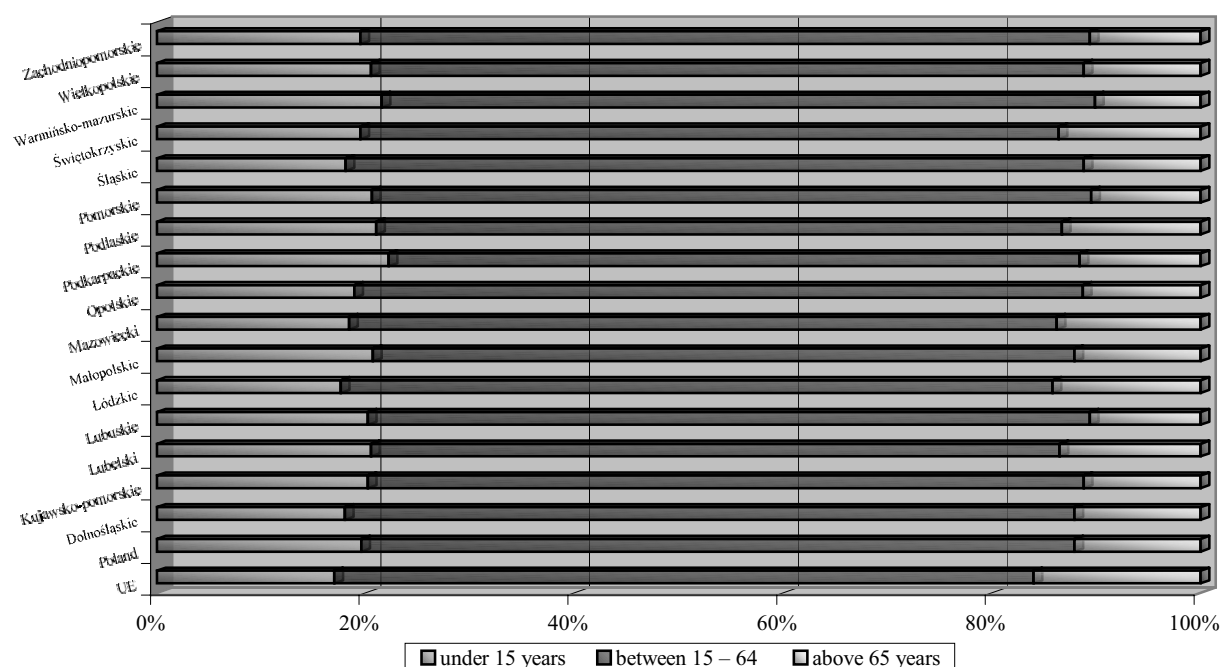
Human resources

Against other European countries, Poland's population is demographically young, in a sense. In 2000, half of women in Poland was aged not more than 37.3, with men aged 33.4. The average age of urban population is 36.7 years, with 34.4 years in rural areas. Despite the absolute growth of elderly population being much faster in town than in country, the latter does tend to be much older in demographic profile terms.

In 1991-2000, the number of children in primary schooling age dropped by more than 934,000. The 15-18 age group increased, however, thereby swelling the numbers in secondary schools and those of job seekers (by 273,000). An even greater growth (of. ca. 770,000) was seen in the 19-24 age bracket. In 2000, the share of children and youths aged below 18 in the population's total was at 24.1%, with 61.2% in productive age. In regional distribution, the percentage of population aged 15-18 is at its greatest in the Podkarpackie, Podlaskie and Warmińsko-Mazurskie. The fastest aging population lives in the Łódzkie, Lubelskie, Mazowieckie and Świętokrzyskie.

¹ revenue – spending by foreigners in Poland + spending of Polish residents on domestic travel.

Graphe 13. Age Profile in Poland's Voivodships vs. EU Average, 1999



Source: First Progress Report on Economic and Social Cohesion, Commission of the European Communities, Brussels, 30.01.2002.

Education

The level of education of the population

The *education attainment* level of the Polish adult population remains low in comparison to the OECD average. 46% of 25-64-year-olds in Poland and 60% in the OECD countries have attained at least upper secondary education (excluding short courses ISCED 3C). A relatively small proportion of Polish adults (12%) have attained tertiary education compared with EU Member States (22%). However enrolment in tertiary education is developing rapidly; in 2000 it reached 1.58 million students (from 794,000 in 1996), with net entry rates in 2000 of 62% for people of all ages (OECD 45%) in tertiary type A education. For the last two years, significant growth has also been recorded in the number of gymnasium graduates who enter secondary schools leading to the maturity exam, along with the limitation of recruitment by basic (ISCED 3C) vocational schools.

Table 3. Population aged 25-64 by highest level of education attained (2001)¹

	Lowest	Medium ²	Highest
Poland	19.6	68.7	11.7
EU-15	36.2	42.2	21.6

¹Source: Eurostat, LFS (Data refers to population aged 15 and over).

²Including ISCED 3C.

Table 4. Population aged 25-59 by level of education attained – key statistics by region

Region	Education	
	Level of persons aged 25-59 (% of total), 2001	
	low	high
EU15	34.2	22.3
10 pre-accession countries	17.2	14.2
Poland	17.0	12.3
Dolnośląskie	15.8	12.7
Kujawsko-Pomorskie	20.0	9.4
Lubelskie	19.3	13.6
Lubuskie	13.9	11.2
Łódzkie	19.1	12.3
Małopolskie	15.6	14.1
Mazowieckie	15.9	15.5
Opolskie	15.9	10.0
Podkarpackie	15.6	10.8
Podlaskie	22.4	12.9
Pomorskie	17.3	12.7
Śląskie	13.6	9.4
Świętokrzyskie	21.9	9.6
Warmińsko-Mazurskie	23.6	9.8
Wielkopolskie	15.5	10.0
Zachodniopomorskie	18.9	13.0

Source: Eurostat (REGIO, LFS), national statistical institutes plus calculations DGREGIO.

Unemployment is closely related to low level of education. In 2002 unemployed with basic vocational or primary level of education accounted for 68.7% of the total number of registered unemployed.

Rural education and the rural – urban divide

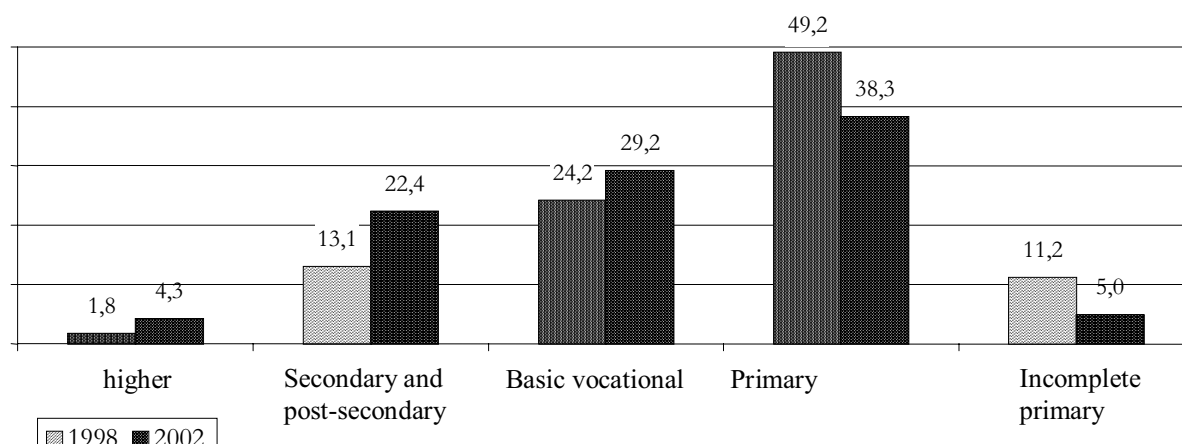
Rural areas and small towns, which are inhabited by a higher share of poor families, are educationally disadvantaged. In the rural areas, the level of education attainment is relatively lower than in the urban environment.

Table 5. 15-year-olds and older by education attainment level and the place of living in 2000 (%)

	Higher	Secondary and post-secondary	Basic vocational	Primary	Incomplete primary
Urban areas	13.7	38.6	21.1	22.2	1.5
Rural areas	4.3	22.4	29.2	38.3	5.0

Source: National Census 2002, Central Statistical Office (GUS).

Graph 14. *Rural areas citizens at the age 15 and above, according to the level of education in 1998 and 2002 (in %)*



Source: Central Statistical Office 2003 (GUS).

The differences in further school careers between the graduates of urban and rural schools are very clear: only 25% of rural children go on to a general education lyceum, the most popular school type in the cities (attended by over 45% of urban pupils). On the other hand, over 35% continue their education in basic vocational schools, which do not grant maturity certificates (*matura*) and thus do not allow their graduates to enter the higher education system. In contrast, only 20% of pupils in the cities attend such schools. It is recognised that rural children who want to continue their education after primary school and enrol in an urban secondary school face serious financial obstacles.

Moreover there is a noticeable difference in the students' achievements in rural and urban areas and the gap is widening with progression through school carrier.

Table 6. *Higher education institution students in 2001*

Higher education institution students in 2001					
Voivodship	Number of higher education institutions	Higher education institution students			
		total	female (%)	out of 10 000 people	graduates
Poland	334	1 706 455	57,2	439,8	301 215
Dolnośląskie	23	143 326	55,9	460,0	22 414
Kujawsko-Pomorskie	12	75 206	62,5	348,2	14 672
Lubelskie	17	91 498	58,0	395,1	16 566
Lubuskie	5	35 965	57,8	297,6	7 009
Łódzkie	21	112 019	57,2	397,6	17 884
Małopolskie	26	151 863	54,6	476,8	24 738
Mazowieckie	80	333 426	57,5	699,5	62 337
Opolskie	5	35 531	56,9	328,7	6 642
Podkarpackie	16	67 728	56,4	294,5	11 340
Podlaskie	13	49 149	56,0	396,1	8 272
Pomorskie	20	83 486	56,7	373,2	13 873
Śląskie	33	192 580	57,2	385,0	33 208
Świętokrzyskie	11	52 921	59,4	450,3	10 717
Warmińsko-Mazurskie	8	51 690	59,8	315,3	8 395
Wielkopolskie	28	138 687	57,5	434,8	23 344
Zachodniopomorskie	16	91 380	55,3	520,6	19 804

Source: Voivodship Statistical Yearbook 2002, Central Statistical Office (GUS).

Table 7. Basic vocational education as well as secondary general and vocational education for youth in the 2001/2002 school year

voivodship	basic vocational schools	secondary schools			basic vocational schools	secondary schools		
		total	general	vocational		total	general	vocational
	numbers				%			
Poland	327 757	1 502 152	715 973	786 179	17,9	82,1	39,1	43,0
Dolnośląskie	22 936	114 207	53 930	60 277	16,7	83,3	39,3	44,0
Kujawsko-pomorskie	23 389	75 326	37 210	38 116	23,7	76,3	37,7	38,6
Lubelskie	17 026	99 937	49 930	50 007	14,6	85,4	42,7	42,8
Lubuskie	10 080	42 069	17 707	24 362	19,3	80,7	34,0	46,7
Łódzkie	18 429	95 229	48 641	46 588	16,2	83,8	42,8	41,0
Małopolskie	29 711	123 891	59 139	64 752	19,3	80,7	38,5	42,2
Mazowieckie	35 701	192 601	106 899	85 702	15,6	84,4	46,8	37,5
Opolskie	10 517	36 899	16 444	20 455	22,2	77,8	34,7	43,1
Podkarpackie	15 821	98 820	38 883	59 937	13,8	86,2	33,9	52,3
Podlaskie	8 602	52 209	25 488	26 721	14,1	85,9	41,9	43,9
Pomorskie	21 010	81 050	40 317	40 733	20,6	79,4	39,5	39,9
Śląskie	38 496	186 085	78 673	107 412	17,1	82,9	35,0	47,8
Świętokrzyskie	11 124	55 092	24 369	30 723	16,8	83,2	36,8	46,4
Warmińsko-mazurskie	14 722	58 142	26 475	31 667	20,2	79,8	36,3	43,5
Wielkopolskie	36 405	125 941	58 265	67 676	22,4	77,6	35,9	41,7
Zachodniopomorskie	13 788	64 654	33 603	31 051	17,6	82,4	42,8	39,6

Source: Central Statistical Office 2002 (GUS).

Adults and continuing education

Globalisation of the economy requires breaking of barriers - linguistic, cultural and technological. Education is a tool for breaking barriers. Education is the basic factor determining the opportunities of finding a job. To find their place in the labour market in the situation of a market economy, competition and changing economic realities, young people must be creative, be able to adapt fast to changing conditions, ready for constant learning and development. An increase of the number of persons employed in sectors requiring high qualifications necessitates a continued enhancement of qualifications of the population. Therefore it is particularly important not only to create opportunities for youth to obtain high qualifications but also to facilitate gaining new qualifications by persons already active in the labour market.

In Poland, like in many other countries, only about 20% of people have the opportunity to work in their acquired profession throughout the whole period of their professional activity. In EU countries people are already changing occupations about six to eight times during their professional life. In the changing and competitive conditions of the labour market, continuous education is a crucially important element of education.

In Poland the participation rate of adults in *continuing training* is rather low (13%) compared to many countries (UK 45%, Sweden 54%, Ireland 22%, Portugal 13%). The overall participation of adults within the formal education and training system as part of continuing training however is still increasing and demonstrating the strong school-based approach of the Polish education system.

Continuing education is an integral part of the Polish education system, therefore there is no separate law for continuing education, all regulations concerning this issue are included in the law on education system⁷. It is provided at all levels of general education (from primary school to secondary school certificate) and vocational education (at upper secondary school levels) in school and extramural forms. An important role is also played by Centres for Practical Training and Continuous Education Centres.

Table 8. Schools for adults in the school year 2001/2002

Level of education	Indicator							
	Number of schools		Number of students		Number of full-time teachers		Number of graduates	
	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2000/01	2001/02
Primary schools	7	6	96	88	5.73	7.40	450	38
Gymnasiums	96	111	8620	11467	279.82	302.06	0	994
Lyceums	1145	1321	143154	153780	3756.37	3384.76	41500	42894
Basic vocational schools*	153	166	12831	10499	391.55	214.74	4555	4618
Secondary vocational schools	1802	1880	198152	193898	5033.81	3465.72	58276	53608
Post-secondary schools	1802	2044	131808	149673	3538.28	2928.03	50309	48668
TOTAL	5005	5528	494661	519405	13005.56	10302.71	155090	150820

*The school year 2002/2003 includes basic vocational schools together with the 1st grade of secondary vocational schools, Source: Central Statistical Office (GUS), for the school years 2001/2002, 2002/2003.

Table 9. Training during the academic year 1999/2000 (number of courses, participants and graduates according to the type of course as well as organisers)

Courses Organisers	Number of courses	Number: (in thousands)			
		Total number of participants	female	unemployed	graduates
Total	76 369	1 319,0	598,5	102,9	943,3
types of courses:					
- work safety and hygiene	14 787	350,0	143,5	2,2	280,0
- language courses	19 605	264,5	150,9	4,1	239,5
- improving vocational skills	15 589	249,5	131,0	24,1	192,0
- preparing to obtaining vocational entitlement	9 644	146,6	18,7	14,0	122,9
- teaching new vocational skills	8 584	145,3	68,4	48,8	109,4
Organisers					
poviat's self governments	398	11,6	7,5	0,5	7,7
voivodship's self governments	60	1,3	0,5	0,0	1,2
Polish Craftsmanship Association	564	12,7	3,6	0,5	10,1
Co-operative Council of the Country	1 305	21,7	9,9	1,8	20,1
Social Organisations and Associations	21 291	389,0	177,0	39,3	365,1
Trade Union Associations	914	22,9	10,2	1,5	20,0
Religion Organisations	514	7,8	4,4	0,2	2,0
Physical persons enterprises	29 197	439,7	205,9	26,3	292,6
Trade law company	20 815	389,3	165,8	29,2	205,8

⁷ Key regulations on adult education are to be found in the following decrees: on continuous education centres, on the principles and conditions of upgrading vocational qualifications and adult education, on the principles and conditions for holding extramural examinations. Furthermore it is possible to engage in educational activities based on the law on economic activity, remaining outside of the scope of the control functions of the educational system (school superintendents).

Foundations	1 311	22,9	13,3	3,6	18,7
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Source: School education during the academic year 2000/2001: Central Statistical Office (GUS).

The most popular courses included: (a) language courses – 19.6 thousands; (b) improvement of vocational skills – 15.6 thousands and (c) work safety and hygiene (wsh) – 14.8 thousands. Among the total number of participants 39,4%⁸ constituted the participants of courses commissioned by employers or labour offices, 8% unemployed, 52% persons taking up education of their own will and initiative.

Table 10. Basic information regarding the size of continuing education in Poland in comparison to OECD countries

Indicators	Poland 1998	OECD Average 1999
Percentage of persons with at least secondary school education in the population of age between 25 - 64	54%	62%
Percentage of persons with university education in the population of age between 25 – 64	11,3%	14%
Participants of continuing education courses	13%	31%
Number of credits received in assessment of reading comprehension skills according to OECD survey	230*	269

* Poland was ranked 17 out of 18 countries included in the survey: Source: *Education at a Glance, OECD Indicators, 2001*; *The Strategy of National Education Development, Warsaw, 2001*.

The data presented in the table above show, that the largest difference in the scale of the education effort in Poland and in EU countries was noted in continuous education.

Creation of a modern and effective continuing education system conditions not only the adjustment of the Polish workforce to the needs of the labour market, but also the bridging of a specific developmental gap.

⁸ Data based on "The report worked out for the Ministry of National Education and Sport 2002"

Employment and labour market

Employment

The situation on regional labour markets is a result of changes occurring during the previous years, which is since the beginning of transformation processes.

Those changes resulted in a significant decrease of employment in state economy, in an appearance of previously unknown phenomenon of unemployment as well as in the changes of the structure of employment, mainly illustrated by the increase of non-agricultural private sector. Those phenomena, having an impact on labour markets, were being reported with regionally different dynamic and pace. Since 1989 the greatest decrease in the number of employees has occurred on the present areas of the following voivodships: podlaskie, warmińsko-mazurskie, kujawsko-pomorskie, zachodniopomorskie, lubuskie, dolnośląskie and opolskie. These are the areas which, before 1990, were predominated by state agriculture economy. The downfall of this economy at the beginning of the transformation period contributed to the number of employees made redundant. In southern-east Poland, on the contrary, the number of employees decreased only slightly. The number of employees of private sector was growing fast, the greatest increase was noticed in the voivodships of northern and northern-west Poland, the slightest in the voivodships of eastern and southern-east Poland. The regional structure of employment is diversified considering the participation of particular economy sectors.

Sectoral structure of employment

Changes in economy structure caused by transformation processes have had a significant impact on the changes in employment proportions between the three sectors of the country economy.

During the last decade of transformation the number of employees in industry and agriculture sectors dropped, where as an increase of employment was noticed in service sector..

The structure of employment in Poland is regionally diversified.

The highest, , level of employment in sector I (agriculture and forestry) is recorded in voivodships: lubelskie (39,8%), świętokrzyskie (38,0%) as well as podkarpackie (31,8%) and podlaskie (37,5%). Those voivodships belong to the south-east part of Poland where, before the transformation period, individual agriculture economy was dominant (according to state agriculture economy). In that area the number of employees was slightly reduced as was the case for the rest of the country.

The lowest employment share in sector I was recorded in the voivodships: śląskie (7,0%), zachodniopomorskie (8,3%) and pomorskie (9,5%).

The most significant share of employees in sector II (industry and construction) is reported in the biggest of Poland's industrial and urban zones which is śląskie voivodship (40,7%). Apart from Śląsk other noteworthy voivodships: are opolskie (36,4%), lubuskie (35,4%), dolnośląskie (35,5%) and wielkopolskie (36,1%). The lowest share of employment in sector II is reported in the south-east of Poland, dominated by the employment in sector I (agriculture and forestry). The following voivodships are concerned: lubelskie (20,5% in sector II), podlaskie (21,1%) and mazowieckie (24,6%).

An increase in the number of employees in sector III (services) is a favourable result of the transformation process. The highest number of employed in service sector is reported in the following voivodships: zachodniopomorskie (58%), pomorskie (55,0%), dolnośląskie (54,6%), mazowieckie (56,3%) and lubuskie (54,4%). The share of employees in sector III in those voivodships is significantly higher than the country average share (45,6%).. The lowest

share of employment in sector III is reported in the voivodships: podkarpackie (37,2%), lubelskie (39,7%). The lowest share of employment in sector II is reported in the voivodships of south-east Poland, which are those dominated by the employment in sector I (agriculture and forestry).

Table 11. The structure of employees in accordance with sectors in 2002

The structure of employees in accordance with sectors in 2002			
Voivodship	Agriculture	Industry	Services
POLAND TOTAL	20,1	31,6	48,3
dolnośląskie	10,0	35,5	54,6
kujawsko-pomorskie	18,6	33,1	48,3
lubelskie	39,8	20,5	39,7
lubuskie	10,3	35,4	54,4
łódzkie	18,7	34,2	47,1
małopolskie	23,5	29,8	46,7
mazowieckie	19,1	24,6	56,3
opolskie	18,2	36,4	45,5
podkarpackie	31,8	31,0	37,2
podlaskie	37,5	21,1	41,4
pomorskie	9,5	34,9	55,5
śląskie	7,0	40,7	52,3
świętokrzyskie	30,8	27,4	41,7
warmińsko-mazurskie	19,1	31,1	49,8
wielkopolskie	19,9	36,1	44,0
zachodniopomorskie	8,3	33,7	58,0

Source: Voivodship Statistical Yearbook 2001, Central Statistical Office (GUS).

Table 12. Rate of employment in regions

Voivodship	Rate of employment*		
	Total	Males	Females
POLAND TOTAL	44,1%	50,7%	38,1%
Dolnośląskie	39,8%	45,7%	34,2%
Kujawsko-pomorskie	43,6%	51,5%	36,3%
Lubelskie	48,6%	55,0%	42,9%
Lubuskie	39,5%	44,4%	35,0%
Łódzkie	45,0%	50,7%	39,8%
Małopolskie	46,8%	52,8%	41,6%
Mazowieckie	49,0%	55,6%	43,1%
Opolskie	42,5%	49,9%	36,0%
Podkarpackie	46,0%	52,6%	39,8%
Podlaskie	46,4%	53,3%	40,0%
Pomorskie	42,5%	50,7%	35,1%
Śląskie	40,3%	47,2%	34,2%
Świętokrzyskie	40,9%	45,4%	36,6%
Warmińsko-mazurskie	40,6%	46,1%	35,3%
Wielkopolskie	46,3%	55,2%	37,9%
Zachodniopomorskie	39,1%	44,9%	34,0%

* data from IVth quarter of 2002 (LFS): Source: Central Statistical Office 2002 (GUS).

Economic activity of population

In 4th quarter of 2001 the number of people economically active at the age of 15 and more amounted to 17,2 million while the number of people economically passive amounted to 13,7 million. Compared to the previous year the first one decreased by 0,4% and the latter increased by 2,2%.

The decrease of economically active people was caused by the significant decrease of employees (by 3,4%), and simultaneously by the decrease of unemployed by 15,4%.

As a result of the above-described changes the relation between employed and not employed changed as well. In the 4th quarter of 2001 1000 of employed was weighted by 1200 not employed.

In the 4th quarter of 2001 the share of people professionally active person of the age 15 and more constituted 55,8%. The rate of activity decreased by 0,6 percentage point in comparison with 2000.

The decrease in the total rate of economic activity during the year was influenced more by the decrease in economic activity of men and less by the decrease in economic activity of women. Regardless of the place of living, the level of economic activity was higher among men than among women. Within the population of economically active people men constituted 63,3%, women only 48,8%.

The measure reflecting real engagement of the population in the process of work is the employment rate showing the share of employed people in the total population as well as in the particular group.

According to statistic, the number of employed people in Poland amounted to 45,5% of the population at the age 15 and more.

The employment rate was significantly higher for men than for women, both for the country as a whole and in the particular voivodships.

Table13. Economic activity of the population at the age 15 and more according to the gender in 2001

Economic activity of the population at the age 15 and more according to the gender in 2001						
Voivodship	Economic activity rate			Employment rate		
	Total	Men	Women	Total	Men	Women
Poland	55,8	63,4	48,8	45,5	52,5	39,0
Dolnośląskie	54,3	61,8	47,2	41,4	47,8	35,5
Kujawsko-Pomorskie	56,3	65,7	47,8	45,9	55,6	37,1
Lubelskie	59,1	65,6	53,2	50,7	56,2	45,7
Lubuskie	54,0	62,0	46,2	39,9	46,3	33,8
Łódzkie	56,2	64,1	49,2	44,6	50,5	39,3
Małopolskie	55,5	63,0	48,8	47,7	54,3	41,8
Mazowieckie	58,6	66,3	51,9	49,6	57,1	42,9
Opolskie	53,5	61,3	46,7	44,2	51,1	38,3
Podkarpackie	55,2	63,3	47,5	44,8	52,3	37,7
Podlaskie	58,6	65,2	52,5	49,1	55,5	43,1
Pomorskie	57,8	64,7	51,4	46,6	52,6	41,1
Śląskie	51,4	57,9	45,5	41,0	47,7	34,8
Świętokrzyskie	54,1	60,2	48,4	45,4	52,5	38,7
Warmińsko-Mazurskie	54,7	62,5	47,6	41,7	49,6	34,5
Wielkopolskie	57,0	67,2	47,7	47,3	56,6	38,7
Zachodniopomorskie	54,7	62,9	47,4	42,3	48,1	37,0

Source: *Economic activity of the Population in Poland in the 4th quarter of 2001*, Central Statistical Office 2002 (GUS).

Unemployment

Since 1990 unemployment has become one of the most important problems of the economic transformation. It has influenced traditional branches of industry and agriculture. After the great increase at the beginning of the process, between 1994 and 1998, the number of unemployed started to drop. In 1998 1.8 million of unemployed was reported (10,6%) which constituted the lowest level since 1991. The year 1999 was the beginning of a new increase in unemployment level. As a result the number of registered unemployed increased from 2.6 million at the end of 1999 - to nearly 3.4 million at the end of 2002. (according to BAEL).

The unemployment rate, differs increasingly between voivodships across the whole country. Since 1998 the unemployment rate (according to BAEL) has been rising steadily. In the 4th quarter of 2002 it amounted to 19,7% and, according to the previous year, it was higher by 1,2-percentage points. Poland belongs to those European countries with high level of unemployment. In the 4th quarter of 2002 the average unemployment rate for 15 European Union countries amounted to 7,8% - the highest rate was reported, among others, in Spain (11%).

Taking the voivodship section into account, the increase in the number of unemployed was reported in all regions. According to BAEL, the voivodships with the highest unemployment rate at the end of 2002 include dolnoslaskie (27,2%), lubuskie (25,9%), zachodniopomorskie (25,9%) and warmińsko-mazurskie (24,8%). The lowest unemployment rate is reported in małopolskie (16,1%) and mazowieckie (16,9%) voivodship.

Table 14. Unemployment rate by regions

Voivodship	Rate of unemployment*			The long-term unemployed registered in labour offices (12-24 months)**	The long-term unemployed registered in labour offices (more than 24 months)**
	Total	Males	Females	(% of the total unemployed in the region)	(% of the total unemployed in the region)
POLAND TOTAL	19,7%	19,0%	20,6%	20,4%	30,8%
Dolnośląskie	27,2%	26,4%	28,1%	20,4%	27,5%
Kujawsko-pomorskie	21,6%	20,0%	23,7%	19,0%	32,8%
Lubelskie	16,6%	16,4%	16,8%	20,8%	33,3%
Lubuskie	25,9%	27,6%	23,7%	19,9%	26,8%
Łódzkie	19,5%	20,4%	18,5%	20,7%	33,4%
Małopolskie	16,1%	16,1%	16,1%	20,0%	29,3%
Mazowieckie	16,9%	15,7%	18,2%	21,6%	33,2%
Opolskie	17,5%	15,2%	20,1%	19,1%	29,6%
Podkarpackie	18,4%	17,8%	18,8%	18,1%	37,0%
Podlaskie	17,7%	17,5%	17,9%	18,8%	33,0%
Pomorskie	21,9%	20,4%	23,6%	21,8%	28,4%
Śląskie	18,8%	17,5%	20,3%	20,6%	27,0%
Świętokrzyskie	18,7%	19,0%	18,7%	19,7%	34,4%
Warmińsko-mazurskie	24,8%	23,0%	26,8%	19,7%	34,6%
Wielkopolskie	18,2%	16,0%	21,1%	21,2%	26,7%
Zachodniopomorskie	25,9%	25,9%	25,9%	20,9%	28,8%

* data for the IVth quarter of 2002 (LFS)

** end of 2002

Source: Central Statistical Office (GUS).

Regional differences

Profound differences in social and economic development, which are observed between various regions, create a serious structural problem for Poland.

With regards to the regional levels of unemployment in the years 1999 – 2002 the numbers increased in all voivodships; however, the most significant increase was observed in the Śląsk voivodship where the number of unemployed grew by 119,900 (57.0%).

It should be stressed that the most significant growth in the number of unemployed occurred in regions with large cities (wielkopolskie, mazowieckie, małopolskie), i.e. Where the unemployment rate was traditionally the lowest. It should be expected that as a result of the acceleration in economic growth, unemployment will most rapidly decrease in these regions, while the effects of economic growth will be far less noticeable in the regions with the most severe problems of structural unemployment. As a result the gaps between the regions will increase. Therefore regions with traditionally high unemployment should become the main recipients of employment promotion programmes financed by the state budget and structural funds.

After analysing Polish regional unemployment the following can be concluded:

- voivodships with large urban agglomerations possessing a rich and diversified economic structure are characterized by a lower unemployment rate;
- voivodships located in Northern and North-Western Poland, where before 1989-1990 state run farms were dominant, are characterized by high unemployment (economic monoculture);

- the highest unemployment occurs in economically underdeveloped areas, mainly rural, where privatisation resulted in the unemployment for former state farm employees;
- an important factor influencing the scale of regional differentiation of unemployment is the very low level of spatial mobility of the population.

The levels of internal migration in Poland have decreased during the period of political transformation. This may be related to an increase in living expenses, combined with uncertainty about finding employment in another region, low levels of social benefits which influence the readiness to take the risk of changing work and moving, as well as to the insufficient number of housing resulting in high rents and selling prices. Moreover, research has shown that the unemployed are less willing to migrate, than those who remain employed⁹. As a result in the short period no marked increases in the levels of mobility of the population in Poland should be expected, and it is necessary to undertake actions for bridging the regional gaps.

Beside regional differences there are also significant differences in social and economic development between towns and rural areas. Rural areas cover about 93% of the entire territory of Poland and are inhabited by 14.7 million persons, i.e. about 38% of the total population. This situation is reasonably stable, as during the 1990's the rate of migration from rural areas had fallen. Almost a quarter of the work force is still engaged in agricultural production, although in most cases these are not full time jobs.

Rural areas in Poland are characterised by large scale poverty. 45.6% of rural families live in relative poverty, three times more than the national average. Employment of children is a stable element of strategies adopted by poor families. Retirement benefits and pensions have for many households become the main source of income, which is a new issue. In many cases it is the only stable income for the entire family. The most common methods for coping with poverty include: production of food for their own needs, assistance of neighbours, undeclared work, seasonal collection of fruits and mushrooms in forests, assistance provided by family and social assistance centres.

The situation of inhabitants of rural areas on the labour market is differentiated and depends also on whether they own a farm or not. Among the group of rural inhabitants – people living on their own farms - the rate of economic activity in the IV quarter of 2001 was at the level 65.1%, the employment rate was 58%, the number of economically passive persons amounted to 2.2 million persons in a population of 6.3 million persons – i.e. 35%. In the case of the group of landless rural inhabitants, which includes former employees of state owned farms, the rate of economic activity was 46.3%, the employment rate was 33.8%, unemployment rate 26.8%, the number of economically passive persons amounted to 2.8 million persons in a population of 5.1 million individuals – 54%.

In the last few years unemployment in rural areas also increased. In December 1999 there were 1.1 million unemployed residing in the rural areas, while at the end of December 2002 this number had increased to 1.34 million. However, unemployment in rural areas is not limited only to persons registered in labour offices. The general agricultural census, which was completed in 1996, has shown hidden unemployment in agriculture concerning

⁹ This is a result of the fact, that the costs tied to changing a job for the employed are lower than the costs of loss of social benefits in the case of the unemployed. For the unemployed with relatively low level of education the risk related to job search in another region is also higher than in the case of relatively better educated persons with employment. Cf. A. Chłóń, M. Grabowski, *Uwarunkowania rozwoju regionalnych rynków pracy w Polsce*, IBnGR, 2000.

approximately 0.9 million persons. Other estimations of hidden unemployment in agriculture talk of between 0.8 and 1.2 million people.

One of the key factors impacting on the differences in the labour market situation of the rural and urban populations is the level of education. People with university level education are 3 times more numerous in towns and cities than in rural areas whereas people with secondary level education are twice as numerous in urban areas than in rural areas. Data from the Central Statistical Office indicate that in rural areas unemployment rate of people with university level education is relatively higher – it means that the rural labour market does not generate the sufficient number of jobs, especially beyond agriculture.

In general, one of the most important barriers in rural development in Poland is the insufficient level of education of inhabitants of rural areas. Therefore the main measures addressed to inhabitants of rural areas should involve improvement of the quality of human resources, through providing young persons with opportunities for obtaining a good education matching labour market needs. Because research has shown, that investments are being made in regions with better infrastructure, one of the first steps which must be taken in order to increase the attractiveness for investors of rural areas and small towns is to invest in infrastructure (and to some extent actions for upgrading education can be viewed in the same categories).

It was estimated that between 1999-2005 the number of rural inhabitants in productive age will be annually increasing by 100,000 persons and between 2006-2010 by over 50,000 persons. The creation of jobs for those persons and reduction of present unemployment are the major challenge facing Poland with regard to a development of rural areas. In the context of low mobility of the rural population and the small chances of any significant increases in this mobility in the near future it is clear, that actions for improving the situation in rural areas must be concentrated on current locations and should target decreasing the developmental gaps between regions.

Industry restructuring, having particular effect on some regions of the country, is a factor largely influencing the situation on regional labour markets. First of all it concerns the traditionally industrial regions. In 2001 in śląskie voivodship the share of unemployed made redundant because of the company reasons among the total number of registered unemployed amounted to 10% and in łódzkie voivodship this share amounted to 9,4% while in Poland totally – 7%. However in 2002 the highest share was reported in the voivodships: pomorskie 7,7% and mazowieckie 7,3%, while in Poland the total share amounted to 5,2%. Moreover, the downfall of industry is to be reported also in the former Central Industry Area (CIA) which was situated in Central and Southern Poland. In the case of CIA most of the enterprises were located in smaller towns, the development of which was dependent on the situation of those enterprise. The downfall of the enterprises caused very often the rapid deterioration of the situation on local labour markets.

One of the most important factors influencing the development of regional economies is the level of entrepreneurship development. Compared with the beginning of the transformation period the pace of establishing new enterprises is visibly slower. This was caused by the deterioration of economic growth as well as by the increase in restructuring processes within the existing enterprises. This was illustrated by an increasing number of enterprises removed from the enterprise register. As a result of the above-mentioned processes SME growth rate dropped to 3,9% in 2001. The most unfavourable situation was recorded in the following voivodships: warmińsko-mazurskie, podlaskie, lubelskie. characterised by a low level of entrepreneurship and a slow pace of establishing new enterprises.

The highest level of entrepreneurship development was reported in the following voivodships: świętokrzyskie (7,0%), małopolskie (5,8%), opolskie (5,3%).

The low level of entrepreneurship development across rural areas is a major obstacle in the process of rural area citizens' mobilisation and it makes the process of vocational reorientation difficult.

According to some studies the main barriers of entrepreneurship growth are: low level of education, lack of capital, low level of co-operation between economy and research-development sector, insufficient work culture etc.

Table 15. Entrepreneurship development level in 2001

Entrepreneurship development level in 2001.									
Region	Number of enterprises	Number of SMEs	Number of newly established SMEs	Number of liquidated SMEs	Entrepreneurship growth rate	Number of active SME (in thousands)	Number of active SMEs for 1000 citizens	SMEs' investment expenditures (in millions zlotys)	Investment expenditures for 1 SME in zlotys
POLAND	3 374 956	3 368 367	364 859	232 719,0	3,9	1 654,8	43	44 975,2	27 178,27
Dolnośląskie	286 486	285 963	29 833	19 536	3,6	134,7	45	3 651,7	27 109,65
Kujawsko-Pomorskie	175 719	175 394	18 623	12 258	3,6	87,3	42	1 470,8	16 847,65
Lubelskie	141 879	141 613	17 574	11 538	4,3	73,5	33	1 126,8	15 330,06
Lubuskie	92 944	92 773	11 260	7 755	3,8	41,7	41	1 138,4	27 299,76
Łódzkie	230 493	230 087	25 413	16 746	3,8	118,6	45	2 802,0	23 625,96
Małopolskie	272 264	271 758	29 107	13 238	5,8	140,3	43	2 437,0	17 369,70
Mazowieckie	543 611	542 263	49 357	23 924	4,7	252,3	50	16 523,8	65 492,50
Opolskie	81 713	81 561	8 526	4 209	5,3	36,7	34	619,2	16 871,66
Podkarpackie	133 555	133 258	14 073	10 109	3,0	66,6	31	917,5	13 775,52
Podlaskie	89 756	89 608	9 538	5 555	4,4	39,4	32	554,1	14 063,95
Pomorskie	215 629	215 277	25 187	19 239	2,8	106,6	48	2 259,8	21 198,68
Śląskie	413 028	412 115	44 492	32 141	3,0	197,8	41	3 697,3	18 692,26
Świętokrzyskie	95 504	95 329	11 624	4 972	7,0	45,3	34	655,5	14 469,31
Warmińsko-Mazurskie	103 467	103 269	13 979	12 078	1,8	56,6	39	889,8	15 721,37
Wielkopolskie	310 349	309 814	34 531	23 491	3,6	166,5	50	4 560,9	27 392,79
Zachodnio-pomorskie	188 559	188 285	21 742	15 930	3,1	90,8	52	1 670,5	18 397,24

Source: Polish Agency for Enterprise Development.

Regions of Poland have a relatively low level of ability to introduce innovations, measured by the size of expenditures on R&D as a share of the GDP. In all regions, except for mazowieckie voivodship, the expenditures are lower than 1%. The lowest value of this share is reported in świętokrzyskie voivodship (0,12%), zachodniopomorskie, podlaskie and lubuskie voivodship (0,23%).

The level of employability in research-development sector is also differentiated. The highest number of employees of R&D sector is recorded in mazowieckie voivodship. Very low percentage of employees working in this sector is mainly recorded in the voivodships of eastern Poland (świętokrzyskie, podkarpackie, podlaskie, warmińsko-mazurskie).

The amount of investment expenditures on research-development activity is characterised by a very high level of concentration. Almost 80% of expenditures are generated in five, economically most developed, voivodships (mazowieckie, śląskie, wielkopolskie, małopolskie, dolnośląskie), out of which the half is generated in mazowieckie voivodship. The low level of ability of the economy to introduce innovations, observed in almost the whole country, has a great impact on the slow course of restructuring processes among enterprises as well as on structural changes. It also endangers the pace of economy growth. It may also contribute to the further marginalisation of areas with the lowest development level.

Table 16. Ability of the economy to introduce innovations in 2001

Economy ability to introduce innovations in 2001							
Region	Investment expenditures generally		Investment expenditure on R&D activity			Employability in R&D activity	
	Poland = 100	on 1 citizen in zlotys	generally in %	on 1 citizen in zlotys	according to GDP (2000)	Poland=100	for 100 persons professionally active
Poland	100,0	3 141	100,0	126	0,70	100,0	4,5
Dolnośląskie	9,1	3 706	7,0	115	0,57	7,4	4,7
Kujawsko-Pomorskie	3,9	2 260	2,7	62	0,37	4,5	3,5
Lubelskie	3,1	1 672	3,0	66	0,55	4,8	3,4
Lubuskie	2,1	2 521	0,4	17	0,23	0,2	4,0
Łódzkie	5,6	2 566	6,2	113	0,70	5,9	3,4
Małopolskie	6,5	2 447	9,5	142	0,86	10,7	5,7
Mazowieckie	31,0	7 406	44,1	422	1,59	34,1	11,1
Opolskie	1,8	2 048	0,8	36	0,26	1,3	2,4
Podkarpackie	3,0	1 730	2,1	48	0,46	1,8	1,6
Podlaskie	1,7	1 652	1,8	73	0,23	1,8	2,5
Pomorskie	4,9	2 694	4,2	92	0,52	5,5	4,5
Śląskie	10,4	2 598	8,3	84	0,41	9,6	3,8
Świętokrzyskie	1,9	1 732	0,4	15	0,12	1,0	1,3
Warmińsko-Mazurskie	2,0	1 701	1,1	35	0,29	1,5	1,9
Wielkopolskie	9,5	3 428	7,1	100	0,53	7,2	3,6
Zachodniopomorskie	3,5	2 463	1,3	37	0,23	2,7	2,7

Source: Voivodship Statistical Yearbook 2002, Central Statistical Office (GUS).

Table 17. Gross added value for 1 employer in accordance with types of activities in 2001

Gross added value for 1 employer in accordance with types of activities in 2001 – Poland =100						
Region	Generally	Agriculture, hunting and fishery	Industry	Construction	Market services	Non-market services
Poland	100,0	100,0	100,0	100,0	100,0	100,0
Dolnośląskie	114,6	138,4	110,4	102,3	96,3	102,6
Kujawsko-Pomorskie	98,5	131,1	91,6	101,1	95,7	98,9
Lubelskie	65,4	66,8	85,8	97,8	94,0	87,1
Lubuskie	106,0	172,3	91,8	102,8	90,7	103,6
Łódzkie	88,5	81,7	87,5	93,4	95,8	96,3
Małopolskie	81,8	38,9	92,1	93,2	91,9	96,2
Mazowieckie	129,6	144,6	123,2	106,3	121,6	117,0
Opolskie	90,7	115,1	101,0	89,3	87,9	90,5
Podkarpackie	64,4	29,8	87,1	94,1	88,1	92,5
Podlaskie	76,2	90,4	88,7	106,0	94,7	94,1
Pomorskie	113,4	133,9	97,9	109,0	94,4	105,9
Śląskie	116,9	81,7	110,3	94,1	99,1	94,7
Świętokrzyskie	69,0	53,8	91,1	109,6	89,2	93,7
Warmińsko-Mazurskie	91,5	161,4	82,1	94,8	86,7	97,2
Wielkopolskie	102,7	199,5	93,1	104,8	97,0	99,4
Zachodniopomorskie	113,3	229,8	93,7	96,2	95,7	103,8

Source: Gross Domestic Product in accordance with voivodships and sub-regions in 2001, Central Statistical Office/Office of Statistics in Katowice, 2003.

Table 18. GDP per capita

Voivodship	GDP per capita***	
	In thous. PLN	In relation to national average
POLAND TOTAL	18,4	100,0%
Dolnośląskie	19,2	104,3%
Kujawsko-pomorskie	16,5	89,7%
Lubelskie	12,8	69,6%
Lubuskie	16,7	90,8%
Łódzkie	16,7	90,8%
Małopolskie	16,5	89,7%
Mazowieckie	27,4	148,9%
Opolskie	15,6	84,8%
Podkarpackie	13,1	71,2%
Podlaskie	13,7	74,5%
Pomorskie	18,6	101,1%
Śląskie	20,4	110,9%
Świętokrzyskie	14,3	77,7%
Warmińsko-mazurskie	13,9	75,5%
Wielkopolskie	19,6	106,5%
Zachodniopomorskie	18,6	101,1%

*** data from 2000

Source: Central Statistical Office (GUS).

Table 19. Average gross pay of full time employees (October 2002)

Average gross pay of full time employees (October 2002)					
Voivodship	total		male	female	Female in accordance with male
	zloty	Poland=100			
Poland	2 118,75	100,00	2 289,54	1 934,64	84,50
Dolnośląskie	2 023,60	90,80	2 138,37	1 876,70	87,76
Kujawsko-Pomorskie	2 001,52	89,80	2 124,77	1 865,97	87,82
Lubelskie	1 936,74	86,90	2 100,09	1 781,72	84,84
Lubuskie	1 946,20	87,30	2 078,73	1 813,81	87,26
Łódzkie	1 942,32	87,10	2 073,24	1 802,39	86,94
Małopolskie	2 090,61	93,80	2 276,95	1 891,44	83,07
Mazowieckie	2 968,52	133,10	3 271,54	2 658,11	81,25
Opolskie	2 162,96	97,00	2 345,12	1 958,26	83,50
Podkarpackie	1 924,77	86,30	2 026,79	1 800,12	88,82
Podlaskie	1 929,48	86,50	2 065,73	1 802,91	87,28
Pomorskie	2 296,67	103,00	2 510,43	2 068,37	82,39
Śląskie	2 316,90	103,90	2 624,81	1 938,39	73,85
Świętokrzyskie	2 008,11	90,10	2 155,10	1 847,16	85,71
Warmińsko-Mazurskie	2 030,70	91,10	2 187,05	1 881,07	86,01
Wielkopolskie	2 146,41	96,30	2 329,00	1 942,56	83,41
Zachodniopomorskie	2 174,51	97,50	2 324,84	2 025,25	87,11

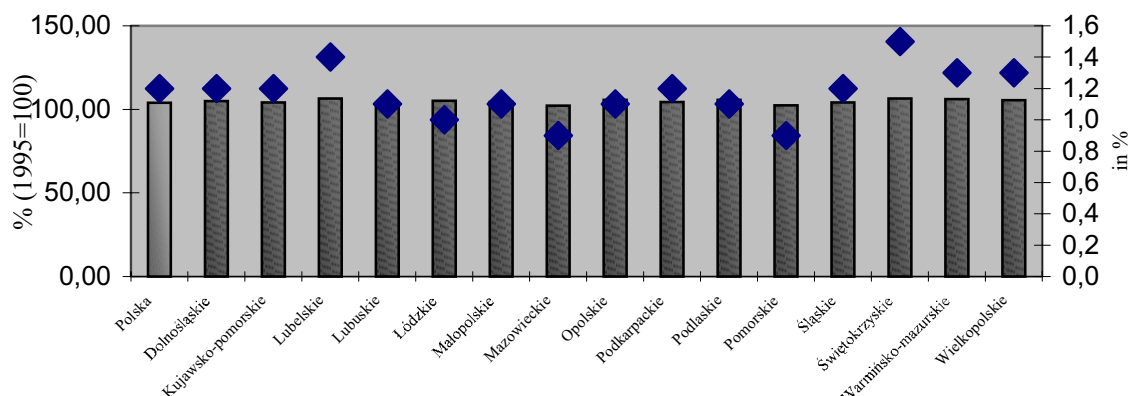
Source: Pay structure according to professions in October 2002, Central Statistical Office (GUS), 2003.

Table 20. Share of employees of each gender by PKD (Polish Classification of Business Activity) sections in 2000

PKD sections	Employees					
	thousand			%		
	Total	Men	Women	Total	Men	Women
TOTAL	14526	8003.75	6522.25	100.0	55.1	44.9
Agriculture, forestry and hunting	2715.25	1521	1194.25	100.0	56	44
Mining and quarrying	292.25	249.75	42.5	100.0	85.5	14.5
Industrial processing	2900.75	1847	1053.5	100.0	63.7	36.3
Electricity, gas and water production and supply	263.5	210	53.5	100.0	79.7	20.3
Construction	1024.25	935.75	88.5	100.0	91.4	8.6
Trade and repair	2043.5	969.25	1074.25	100.0	47.4	52.6
Hotels and restaurants	240.75	75.5	165.25	100.0	31.4	68.6
Transport, storage and communications	893.25	668.5	224.75	100.0	74.8	25.2
Financial intermediation	380	120.25	259.75	100.0	31.6	68.4
Real estate and business activities; science	531	303.25	227.75	100.0	57.1	42.9
Public administration and national defence; compulsory social and health security contributions	764.25	416.25	348	100.0	54.5	45.5
Education	1012.75	258	754.75	100.0	25.5	74.5
Health and social care	938.25	165.5	772.75	100.0	17.6	82.4
Other community, social and personal service activities	506.75	254	252.75	100.0	50.1	49.9

Source: Central Statistical Office (GUS), LFS.

Graph 15. Growth Rate Among Productive Age Population, 1995-2000



Source: Voivodship Statistical Yearbook 1999/2001, Central Statistical Office (GUS).

Living standards. To determine living standards, the criterion of household disposable income has been adopted. The nation's average is exceeded in 5 voivodships, to the greatest extent in the Mazowieckie, with income levels on average more than 20% above the mean figure, and Śląskie (by almost 8%). The lowest per capita income, or ca. 80% of the national average, is generated in the Podkarpackie, and income below 90% of the national average applies to the Lubelskie, Podlaskie, Świętokrzyskie and Warmińsko – Mazurskie, areas with inferior economic development and high percentage of agricultural population. Income is largely hinged on compensation for hired labour and social benefits. Highest pre-tax salaries in 2000 were paid in the Mazowieckie: 30% above the nation's average. Above-average salaries were also characteristic of the Śląskie, albeit by a mere 3.2%. In all the other 14 voivodships, average remuneration was below mean figures, with the lowest in the Podkarpackie, by almost 15% below the average.

Social assistance. Low income coupled with regional labour market difficulties, high numbers of the unemployed, especially long-term, increasingly causes people to rely on social assistance. Its extent, an expression of the society's penury, is illustrated i.a. by the percentage rate of those relying on welfare in relation to total population. The national ratio in 2001 was 14.1%, just 0.5% below 1999 figures. Voivodships with the largest share of population using social assistance include Warmińsko-Mazurskie, Świętokrzyskie, Lubuskie and Podkarpackie. In these voivodships, almost one in five used various forms of social assistance. The highest growth rate in this population category in 1999-2001 was seen in the Kujawsko-Pomorskie and Śląskie. Nonetheless, the Śląskie had the lowest share of people using welfare, below 10% of the population's total.

SUMMARY

Areas with least favourable conditions for development

Rural areas, especially in eastern Poland, have very poorly developed infrastructure, low education levels and, consequently, very poor spatial and occupational mobility among the population. Bearing in mind very poor labour productivity in agriculture (five times below the manufacturing sector in Poland), its low profitability and a stable share of rural residents in the country's total in 1990's of 38%, rural areas (especially in the east) have a set of features allowing them to be classified as peripheral areas, with their inhabitants jeopardized by social and economic exclusion. Other than the weak urban structure, another barrier for the development of rural residents in eastern and central Poland is due to a considerable settlement pattern fragmentation, which results in poor technical infrastructure (roads, environmental protection and telecommunications) and very low standards of access to basic social infrastructure (education, health care) and cultural facilities.

Rural problem areas include also those in northern Poland, formerly dominated by state-owned farms. Many former employees are incapable of self-contained farming or competing in local and regional labour markets.

Areas under restructuring (including areas with concentration of traditional industries).

Spurred by increased economic globalisation and market mechanisms at play in the 1990's, however later than in the EU countries, Poland has been grappling with problems in areas with concentrated presence of sectors which have permanently lost their competitive edge in today's economic environment, the consequence of which is reduced or negative profitability, incapacity for generating economic growth, depressed employment levels. Such sectors include primarily:

- light industries, focused mostly in the Łódź agglomeration; major concentrations (expressed as the share of employment and added value in the manufacturing sector's profile) are also present in eastern Poland, Dolny Śląsk, and elsewhere;
- hard coal mining industry concentrated in Upper Silesia
- metal and steel industry, with largest manufacturing sites in Upper Silesia and Kraków, also the single largest factor behind the dependence of factory towns, currently threatened by the loss of their existing economic foundation (e.g. Ostrowiec Świętokrzyski, Stalowa Wola);
- shipbuilding industry located in Szczecin (Zachodniopomorskie) and the Tri-city of Gdańsk–Sopot–Gdynia (Pomorskie) with a number of dedicated industrial contractors throughout the country.

On a regional and local level, in the 1990's, problems have surfaced in industrial operators and their contractors in the defence (Mielec, Radom, Starachowice, Świdnik, Górny Śląsk et al) and motor industries (Nysa, Starachowice, Sanok, Jelcz et al) adapting to new market environment.

Restructuring of such operations, especially large state-owned enterprises, is frequently delayed by political stakeholders and trade unions threatened by membership losses due to fewer people being employed. In many cases, it leads to bankruptcy, which triggers off dramatic repercussions in local labour markets. Former employees of large state-owned

industrial establishments frequently take a hard line on their claims and, with little occupational and spatial mobility, are on the receiving end of the welfare system.

Restructuring of towns, formerly dominated by one or several major state-owned enterprises, requires multi-directional measures on the local level.

Cities and neighbourhoods affected by social and economic degradation and post-industrial and post-military areas in decline.

Many areas in cities, even entire towns and cities in Poland are threatened by complete socio-economic degradation due to the loss of former administrative, economic and cultural functions and current migratory trends. The problem affects a number of medium-sized and small towns in the north, west and south-west of the country (but also, in isolated cases, elsewhere in the country) and neighbourhoods, particularly in inner cities of above 100,000 residents.

Socio-economic degradation of these centres manifests itself in progressively depleting buildings and urban space, destruction of cultural and historical substance, limited economic activity and low entrepreneurial levels due to low occupational mobility of local residents and threat of criminality. Absence of endogenous growth factors, combined with little interest in investing in such areas which entails high upgrade infrastructure expense, and the residents' low purchasing power results in excessive differentiation of living standards social dysfunction and deepening of social pathologies.

Rehabilitation, upgrade and redevelopment of degraded post-industrial facilities and abandoned post-military grounds apply to a number of localities across the country. Problems related to post-industrial areas in decline tend to focus in areas of extracting mineral resources (area around Wałbrzych, Upper Silesia Industrial District (Górnośląski Okręg Przemysłowy), sulphur extraction facilities around Tarnobrzeg, Legnica Copper District, lignite mining zones), but also, there are such isolated cases practically in all towns and cities, including those with maritime facilities.

Redevelopment of facilities and areas formerly occupied by the Soviet Red Army is a separate issue. These include compounds consisting of barracks, hospitals, storage buildings and single military facilities, such as airports, sea and river ports, warehouses, military bases. Despite the passage of time (Red Army quit Poland in 1991), re-integration of these areas and their use are still unresolved, as seen chiefly in north-western and south-western Poland.

A general statement may be offered that regional differences in Poland tend to be at levels seen in EU Member States that have pursued a pro-active regional policy for years. The key problem is that Poland's strongest and weakest regions alike are very much behind their counterparts in EU Member States. Thus, to shorten the distance is the prime pre-occupation for the State and regional authorities.

2. Integrated Regional Operational Programme: an Evaluation

2.1 Evaluation prior to IROP implementation (ex-ante evaluation)

Pursuant to the Council Regulation 1260/1999 (Art. 40 and 41), ex-ante evaluation encompassed the Integrated Regional Operational Programme (version dated November 2002)

Ex-ante evaluation was performed by a group of Polish and international experts specialised in areas related to human resources development and equal opportunities, agriculture and rural areas, fisheries, transportation and environmental protection. Expert group members offered a wealth of professional and academic expertise, which safeguarded a cohesive and detailed evaluation of all the areas covered by IROP measures.

IROP was evaluated in several key areas set out in structural fund regulations:

- the document's internal consistency, including consistency of status description, needs and goals set out, consistency between priorities and measures, the implementation system and financing;
- external consistency of proposed goals, priorities and measures with Community and national policies and the NDP strategy;
- amount, trends and concentration of proposed spending, including co-financing from domestic sources;
- institutional system for effective and efficient funds management.

Detailed results of the ex-ante evaluation are featured in the *“Final Report From Ex-Ante Evaluation of Documents Submitted Within the Structural Funds Framework”* prepared by a group of French evaluators and the document prepared under the guidelines of the leading Polish expert. In addition, two separate IROP evaluation reports have been prepared by foreign and Polish experts. All the reports include recommendations for the institution responsible for drafting the IROP in order to enhance the document's quality.

Ex-ante evaluation results have been incorporated in the current IROP and are the document's integral part. The recommendations are presented below.

EVALUATION OF IROP'S INTERNAL CONSISTENCY

Status report, needs analysis and goals

The State's regional policy goals during the Programme's implementation have been set out pursuant to the 2004-2006 NDP. As indicated, the IROP strategic goal is to foster conditions for increasing regions' competitiveness and counteract marginalization of some areas in such a way as to advance the country's long term economic development as economic, social and territorial cohesion and EU integration. SWOT analysis has been found acceptable for indicating factors that are relevant given Poland's spatial structure and regional development. The need for structuring and fine-tuning the status description has been indicated.

The above recommendations have been incorporated in drafting the IROP's current version. A stronger relation has been established between status description, SWOT analysis and priorities. Statistics have been updated. Polish regions' strengths and weaknesses have been indicated, along with threats and opportunities for their development. Description of differences within the regions has been completed, with a thorough analysis of spatial differentiation and socio-economic transformation in progress in individual voivodships, which allows for identifying regions' specific needs and concentration of measures.

Priorities and measures

Absence of relation between priorities and measures with status description was underlined. Imprecise presentation of priorities and measures was indicated where they seem to repeat measures anticipated in individual Sectoral Operational Programmes.

Work on this document resulted in certain measures being shifted between priorities, and some were scrapped. New measures were added so as to coordinate them in a closer manner with the regions' needs and other operational programmes.

Financing

When allocating measures to priorities, stress on core infrastructure, i.e. transportation and environment was indicated as justified.

The pool of funds for core infrastructure was increased by adding the measure entitled „Development of public transport in agglomerations” designed to build out comprehensive systems of public transportation.

Implementation

Attention was drawn to the need to enhance the level of detail in the part pertaining to the role of intermediaries. The need for a precise distribution of competencies between intermediate bodies ,implementing bodies and final beneficiaries was indicated.

Recommendations were incorporated by detailed distribution of functions, especially those of intermediate bodies , i.e. Voivodship Offices - *urzędy wojewódzkie* (regional administration) as well as Marshal's Offices - *urzędy marszałkowskie* (regional self-government), and Final beneficiaries participating in managing the IROP component.

Impact

With respect to indicators, a need was indicated to quantify their target value.

The recommendation has been entirely taken into consideration. Indicators have been quantified, and a detailed description of indicators of the impact and outcomes of measure will be presented in the Programme Complement.

EVALUATION OF THE DOCUMENT'S EXTERNAL CONSISTENCY

Job creation

The need to summarise all existing State measures in terms of creating new jobs was indicated.

IROP in its current version presents measures undertaken within the framework of the regional policy pursued so far with respect to the labour market.

Sustainable development

As indicated, the notion of sustainable development was taken into consideration out of concern for maintaining environmental, economic and social equilibrium.

Information society

Absence of relation between measures within IROP and the priority within SOP Improvement of Competitiveness of the Enterprises was indicated.

In IROP's current version, links between measures within the IROP and SOP Improvement of the Competitiveness of Enterprises was fine-tuned.

Equal opportunities of men and women

As indicated, the issue of equal opportunities of men and women was mentioned in a general manner, albeit with absence of a measure dedicated to women.

All measures within IROP, in particular those funded under the ESF, will be pursued with presumed respect for the principle of equal treatment of men and women. A measure specifically targeted at women is included in SOP Human Resources Development.

Management quality and efficiency

The evaluators did not formulate recommendations in this area merely pointing to reservations by representatives of regions voiced during the evaluators' visits to voivodships.

FINANCIAL CAPACITY

Co-financing

The need was indicated to evaluate the situation for the capacity to co-finance sizeable projects by local governments.

The current version of IROP financial tables is based on a realistic analysis of the capacity to co-finance planned measures from domestic sources, both public and private.

The evaluators have also developed general recommendations related to the entire IROP. As indicated, the status description should allow for an exact determination of socio-economic transformations in Poland in a dynamic angle. Moreover, there was a proposition to maintain two priorities and, upon selection of measures, consider not just the needs, but also the administrative capacity of institutions responsible for implementation and the existing co-financing capacity.

In order to incorporate the evaluators' remarks, the document has been largely revised.

3. Trends and Outcomes of Regional Policy in Poland Between 1990-2002

3.1 Regional development policy in the years of Poland's transformation

In the initial years of Poland's transformation, the State's economic policy was dominated by macroeconomic priorities designed to establish a new order after the centralized command system. State interventionism was reduced just to cases jeopardising social peace. The State's regional policy was very limited in these circumstances, however back in 1990, important programming documents were drafted that foreshadowed its future stimulation. Those were:

- „Long-term Concept for National Spatial Development”, accepted by the Council of Ministers (Cabinet) in July 1990, and
- „Rules of Conduct in Regional Restructuring Programmes”, accepted by the Council of Ministers (Cabinet) in December 1990.

Lack of public funds for state intervention in regional development turned these documents into mere policy statements, all the more so given that regional differences in Poland in 1980's and 1990's were seen as relatively small. In their drafting exercise of the „Long-term Concept for National Spatial Development” experts from the Polish Academy of Sciences went so far as to consider that „rationality of the country's functional and spatial macrostructure is the supreme asset of town and country planning, which should be the basis for all strategies of the country's future development”. OECD experts, authors of „Regional Development Policy Issues” in Poland (Paris, 1992-93) found that “Poland has the blessing of a balanced spatial structure. In this context, regional policy should rather be targeted at supporting structural adjustments rather than balancing out existing disproportions”.

Hence, regional policy was not perceived as an instrument for balancing out spatial differentiation. Nor was regional development seen as a factor supporting the development of the country as a whole, a factor contributing the identification and use of peculiar features, resources, circumstances and developmental predispositions of individual regions as a specific “value added”.

Change of view and, gradually, of practical actions in regional development was impacted in 1995-1997 by work of two consecutive task forces set up jointly by the European Commission and the Polish Government: Task Force for Regional Development in Poland and Task Force for Structural Policy in Poland. Extensive work of these teams has shaped a new approach in regional development policy, consistently treated as an integral structural policy element. Hence the departure from intervening in regional development solely as a tool for redistributing public funds, as state decentralisation and enfranchisement of regions was perceived as a source of potential economic effects. Both teams' recommendations, accepted by the Council of Ministers, were undoubtedly a strong stimulus towards invigorating regional development policy.

Poland's 1999 territorial reform set the ground for establishing the voivodship level of self-government as a self-contained entity in regional policy, setting out its own goals and priorities for own funds and being politically and financially accountable.

Practically, the relationship between the national and voivodship levels of public authority in terms of regional development is a function of the proportion of funds from

regional coffers, allocated for by local government for the purpose, and supporting funds from the central budget and non-budget funded public and quasi-public bodies. Despite gradual decentralisation of public finance, the proportions are still disadvantageous for local government. Their spending for development purposes continues to originate largely from domestic and foreign support funds. In order to structure the relationship between central and regional government in regional development, the Polish Parliament adapted a law on the rules of support for regional development, dated May 12, 2000. Consequently, the 2001-2002 Support Programme was adopted on Dec. 27, 2000 (extended by way of amendment into the end of 2003). The Programme of Support sets out detailed rules and instruments for supporting the development of individual voivodships with domestic funds (central budget and non-budget) and EU assistance funds. In parallel to institutional changes, programming foundations for regional development policy in Poland have been extended. In longer term, they have been set out by the "Policy Concept for National Spatial Development" (accepted by the Parliament in 1999), a document offering a vision of the spatial aspects of Poland's sustainable development policy for the next several years. The medium-term approach is presented in the National Regional Development Strategy into 2006, accepted by the Government in December 2000.

Owing to legal mechanisms implemented in relation to decentralising the system of state governance, and solutions already implemented at the onset of the EU accession process, Poland has the institutional structure and legal arrangements to warrant compliance with requirements resulting from EU rules and standards. EU's multi-faceted assistance has been an important factor in improving the capacity in programming and administrative efficiency in regional policy.

3.2 Trends and outcomes of regional policy in Poland between 1990-2002

Lack of public funds in the early 1990's was a limiting factor for regional development's support by the State, thereby turning it into a token policy. Gradual funds increase in the decade's latter half was largely related to interventions from Phare assistance programmes which were increasingly oriented towards supporting sectoral and regional investment projects at the time. The largest sources of support for regional development until 2000 were coming from the following Phare programme funds: STRUDER, STRUDER II, RAPID, INRED, Regional Development of Mazury and Podkarpacie and the Phare Cross-Border Programme. This group may be also said to include other Phare programmes which, despite nominally not being regional development programmes, did make use of similar rules and procedures. This applies to local grant funds within the frameworks of Phare-Tourin III, Phare INITIATIVE II, and the Phare ODBUDOWA (Flood Damage Reconstruction Programme), Granica Wschodnia (Eastern Border programmes). With the exception of the Phare Cross-border Programme, these programmes did not make up an integrated system of programmes implementing long-term regional policy goals. Each had a slightly different strategic goal statement, terms of reference and object of public intervention. They also varied in terms of geographic reach and implementation system. The then-status quo was also due to the absence (until Jan. 1st, 1999) of regional self-government responsible for development policy formulation at the voivodship level and coordinating measures in this respect. These circumstances limited the relative weight of these programmes in establishing transparent rules for coordinating regional policy in Poland.

Institutional building programmes, particularly the Special Preparatory Programme for Structural Funds (Phare 98 SPP), initiated from 1998 onwards, were of major significance for increasing the capacity to programme and administer structural funds and the Cohesion

Fund. It has supported the formulation of programming foundations for the cohesion policy (including regional policy) at national and regional levels. The programme's outcome included the preparation of the 2000-2006 development strategy for strategic areas of interventions from assistance funds, establishment and reinforcement of administrative structures in ministries, central agencies and regional self-government bodies, and preparation of potential beneficiaries to drawing on structural assistance.

Overall, until the end of 1999, Poland received financial support from EU funds for regional policy objectives to the tune of ca. €500 mn (on the liabilities side, i.e. bearing in mind allocations within successive Phare'94-Phare'99 editions). Ca. €300 mn of this amount were funds allocated to Phare Cross-Border Cooperation Programmes (Phare CBC). Large allocations were made to other measures of structural nature, e.g. in environment, transport, labour market, support for SMEs. Measures co-funded by EU moneys had a major impact on regional development despite their centralized implementation.

Given small size of transfers from Phare resources (as a share of GDP) and the initial absence of requirements on programme monitoring and evaluation, credible survey of the Phare programmes' impact on Poland's economic growth and unemployment figures in 1990's is not possible. Their impact is notable, however, on the situation in individual areas. In particular, this applies to western voivodships bordering with Germany, beneficiaries of the Phare CBC Programme.

Owing to the implementation of the programmes in which Phare funds were committed, notable progress was seen particularly in:

- the infrastructure of some towns and villages (road infrastructure, sewage treatment plants, municipal sewage systems), particularly in voivodships bordering on Germany and in south-eastern Poland, with successive focus of measures implemented under several Phare regional development programmes;
- improved border crossing infrastructure;
- provision of investment, training and consulting assistance for SMEs in several restructured regions, towns and cities, i.e. Łódź, former Katowickie voivodship and others (STRUDER, RAPID, STRUDER II, Regional Development Programme for Warmia and Podkarpacie).

Of special importance for liquidating the effects of the 1997 floods was the Phare-ODBUDOWA (Flood Damage Reconstruction Programme) that provided rapid and effective assistance for communities in affected areas of southern and south-western Poland.

Assistance from the Phare programme for streamlining employment in relation to the mining restructuring programme in Upper Silesia (the Initiative programme) was also of notable complementary importance to actions pursued from domestic funds.

3.3 Trends and Outcomes of Regional Assistance within the Implementation of the 2000-2003 Preliminary National Development Plan

Starting from 2000, with the progress of the accession process and formulation of a new regional policy model in Poland, coordination has increased between capital expenditure initiatives pursued in various economic sectors and programmes funded from EU and domestic sources, as did the volume of spending on developmental measures of structural nature, including directly on regional policy goals implementation both upon the launch

of pre-accession assistance instruments agreed within the Agenda 2000 and domestic funds made available from 2001 onward as part of the uniform system of voivodship contracts.

The significance of EU for the regional development policy has increased considerably after 2000, following the launch of pre-accession instruments agreed within the Agenda 2000. Apart from the operating Cross-border Cooperation Programme (Phare CBC), the Phare Social and Economic Cohesion (integrated regional development) programme has come about, currently of key importance for implementing the regional development policy in Poland. New Phare programmes have also emerged in institutional development to support enhancement of administrative capacity in regional policy at the national and regional levels. The programmes have been directly focused on preparations to the accession and future absorption of Structural Funds. Their launch was parallel in time with the country's territorial administrative reform and establishment of the regional level of self-management responsible for programming regional development in the voivodship. In these circumstances, one may conceive of regional policy coordination (including Phare assistance programmes for regional development) not only between, but also within the regions.

The orientation and size of pre-accession funds for measures of structural nature are set out in the 2000-2003 Preliminary National Development Plan¹⁰ (PNDP). In particular, it serves as the basis for programming the new Phare Social and Economic Cohesion Programme (Phare SEC) and developing simplified operational programmes for regional development in each voivodship, and the projects selected on their basis.

The indicative amount of funds committed to the 2000-2003 PNDP implementation should be to the tune of ca. €3.5 bn, of which €2.4 bn will come from EU grants transferred within the framework of Phare, SAPARD and ISPA pre-accession programmes.

Within Phare, regions were directly targeted with funds from Phare SEC, Phare CBC and institutional building programme resources. In total, they make up ca. 24% of all EU funds, estimated at ca. €600 Mio per year on the average.

Close to 25% of all pre-accession funds (i.e. €1.4 to 1.6 bn) designated to implement the PNDP is distributed to regions via regional operational programmes (Phare SEC that foreshadows the European Regional Development Funds and the European Social Fund) and within the framework of joint programming documents (Phare Cross border and pro-developmental measures within the Phare Eastern Border programme) as well as institutional building programmes geared at preparations for structural funds.

¹⁰ The European Integration Committee adopted the 2000-2002 Interim National Development Plan in December 1999, followed by its extension into 2003, as adopted in January 2002.

Table 21. Per Capita Funds Allocations to Activities within the Socio-Economic Cohesion in 2000-2003 (MEUR))

Voivodship	Phare total*		Total Phare per capita	
	MEUR	%	€	Poland=100
Dolnośląskie	67.1	7.7	22.6	100.3
Kujawsko-Pomorskie	35.6	4.1	17.0	75.4
Lubelskie	128.2	14.7	57.4	255.3
Lubuskie	70.8	8.1	69.1	307.4
Łódzkie	43.2	5.0	16.3	72.6
Małopolskie	40.1	4.6	12.4	55.2
Mazowieckie	19.2	2.2	3.8	16.8
Opolskie	20.9	2.4	19.2	85.6
Podkarpackie	78.3	9.0	36.8	163.6
Podlaskie	82.5	9.5	67.5	300.3
Pomorskie	24.9	2.9	11.3	50.3
Śląskie	79.3	9.1	16.4	72.8
Świętokrzyskie	30.9	3.6	23.4	103.8
Warmińsko-Mazurskie	59.4	6.8	40.4	179.8
Wielkopolskie	12.4	1.4	3.7	16.4
Zachodniopomorskie	76.4	8.8	44.1	196.0
Poland	869.0	100.0	22.5	100.0

*assuming the allocation of €170 Mio to Phare Social and Economic Cohesion 2003

Phare total covers:

ESC – European Community funds to implement the socio-economic cohesion programme, CBC - European Community funds to implement the Phare Cross border Cooperation Programme and the integrated Eastern Border Programme

Largest funds in face value terms are allocated in the following voivodships: Lubelskie, Podlaskie, Śląskie, Podkarpackie, Lubuskie and Zachodniopomorskie. These are voivodships with below-average economic development on the national scale, constituent parts of what is known as *ściana wschodnia* (the Eastern Wall), areas with a high proportion of agricultural population, low urbanization, also affected by industry restructuring-related problems in the Śląskie and western voivodships, key beneficiaries of the Phare-Cross border programme. In per capita terms, the largest PNDP beneficiaries in 2000-2003 are the Lubelskie, Lubuskie, Podkarpackie, Podlaskie, Warmińsko-Mazurskie and Zachodniopomorskie.

3.3.1 Phare Economic and Social Cohesion 2000-2003 (Phare ESC)

The basic task of the Phare ESC programme is to reduce the setback and balance out the inequalities in development levels in regions by promoting economic activity, programming the creation of new jobs, resolution of social problems and developing business infrastructure. These measures should contribute to reinforcing Poland's socio-economic cohesion, both internally and within the future, enlarged Community. The programme is also an instrument used to develop Poland's capacity for preparing and implementing future operational programmes co-financed by structural funds (European Regional Development Fund and the European Social Fund) as part of Objective 1 of the EU structural policy.

General orientations in funds allocation within the Phare ESC programme for 2000-2003 include:

1. support for the manufacturing sector (SMEs);

2. human resources development;
3. build-out and upgrade of the business environment infrastructure.

Given the limited funds and financing rules in the Phare ESC Programme, it was not possible for the programme to cover all the voivodships at the same time. The decision to target Phare ESC's first edition of 2000 to the voivodships in eastern Poland and the Śląskie was dictated by low socio-economic development levels expressed as per capita GDP and, with respect to the Śląskie, the extent of socio-economic problems resulting from sectoral restructuring programmes underway. Another factor included the voivodships' experience in implementing regional development-related tasks (in other voivodships, the process of institutional and staff preparation was not well advanced), i.e. participation in a Special Preparatory Programme for Structural Funds (Phare 1998) and its following regional development programme under Phare 1999, that supported the development of operational programmes based on the assistance provided within the twinning arrangements (Phare 1998) and as technical support (Phare 1999). The successive Phare ESC edition (Phare 2001) extended assistance into three new voivodships affected by severe structural problems (Kujawsko-Pomorskie, Łódzkie and Świętokrzyskie). In the 2001 edition, the decision was made to implement measures related to human resources development and support for SMEs in all the voivodships. The follow-up Phare SEC (Phare 2002) edition brought about the programme's further geographic extension into 13 voivodships while, in Phare 2003, ESC covered all the voivodships.

As is the case with structural funds, programming within Phare ESC 2000 is based on an operational programme prepared by each voivodship. Against programmes developed for structural funds needs, it is of simplified nature. While setting out trends for programme's intervention in each voivodship, the operating programme for Phare ESC also determines which priorities will be supported by the programme.

Total allocations for Phare 2000 ESC – Phare 2003 ESC are ca. €640 Mio. Some 60% of the funds is allocated to measures related to developing business environment infrastructure (transportation and environmental protection infrastructure), with some 20% for human resources development and over 20% on the growth of SMEs.

Other than tangible effects, the most important outcomes of the Phare ESC programme may be said to include:

- significantly enhanced skills in programming regional development and development of operational programmes;
- increased awareness of regional policy rules among potential beneficiaries;
- practical experience gained in effective sourcing of funds.

3.3.2. Cross-Border Cooperation Programme (Phare CBC)

The task of this programme is to promote the cooperation of cross-border regions with adjacent regions in the EU Member States, and thereby assist cross-border regions in overcoming their peculiar developmental problems. The programme's goals are in line with those of the INTERREG Community Initiative operating in Member States. Phare CBC supports measures to improve and develop infrastructure (including transportation), environmental protection, growth of tourism, development of entrepreneurship and business environment cooperation and also initiative in human resources development (education, training). The programme also covers a fund for small Euro-regional projects.

Phare CBC is the framework for the following programmes: Phare CBC Poland – Germany, Poland–Czech Republic, Poland – Slovakia and Poland-Baltic Sea Region. The brunt of funds in each edition is allocated for the Poland-Germany programme (ca. €44 Mio on average). Total average annual allocations for the CBC Programme at all the borders amounted to 82 Mio, including all infrastructure capex projects on the Eastern Border. Of this amount, ca. 60% was allocated to transportation infrastructure projects (roads and border crossings). Allocations for the Poland-Czech Republic programme are €5 Mio, Poland-Slovakia programme - €4 Mio, with ca. €3 Mio for the Poland-Baltic Sea Region part. Other than in Poland's cross-border areas bordering on Germany and the build-out of eastern border crossings, developmental effects of Phare Cross-border measures for each cross-border region were negligible.

3.3.3 Institutional development programmes

New priorities for Phare programmes envisaged in the „New Phare Orientation” include reinforcement of administration, both central and regional, and its preparation to operate under new conditions of the *acquis communautaire*, otherwise known as *institution building*. The areas covered by support include preparation of central and local government administration to participating in the EU structural policy. The basic instrument for implementing institutional building projects is seen in the twinning arrangements. Within Phare 2000 Regional Policy Administration Building, support in preparing regional operational programmes under Objective 1 was given to another 11 voivodships. Hence, all the 16 voivodships were supported by Phare in this area. Under Phare 2000 and 2001, measures were also being put in place to assist financial audit of EU-originated funds, both on the regional and central levels, preparations to coordinate the Community Support Network and to programme and manage the European Social Fund and the European Regional Development Fund.

Support from Phare 2002 and 2003 (institutional part) is chiefly targeted at preparing future managing authorities responsible for the Community Support Framework and individual operational programmes, as well as the project pipeline.

3.4 2001-2003 Voivodship Contracts Implementation

The new law on rules for regional support took effect in 2000. It has introduced a new regional development support instrument in the form of voivodship contracts concluded by the central government with regional self-governments. Voivodship contracts were first signed in June 2001, initially¹¹ for 2001-2002. The substantive basis for voivodship contracts was constituted by the following documents developed pursuant to the guidelines set forth by the aforementioned law: National Regional Development Strategy 2001-2006, adopted by the Council of Ministers as a resolution in late 2000 and the Programme of Support for 2001 - 2002, adopted by the Council of Ministers as a regulation/ also in late 2000, amended in April 2001 upon the adoption of the 2001 budget¹² by the Polish Parliament.

Under the contracts, voivodship self-government obtained state budget subsidies to support the implementation of their own tasks stemming from voivodship development programmes

¹¹ In 2002, voivodship contracts concluded for 2001 -2002 were extended into 2003.

¹² As amended subsequently:

1.amendment of 11 April 2001 ./Dz. U. (OJ) No 39, item 460/

2. amendment of 28 May 2002 ./Dz. U. No 73, item 666/

and strategies that are part of goals and priorities set out in strategic government documents. Calculations of the amount of state budget subsidies incorporate also funds from Phare Social and Economic Cohesion and Phare Cross border programmes (2001 and 2002 edition) and the parallel state budget co-financing. Contracts have encompassed targeted regional tasks of „competent ministers” within their own sectoral policies which support the implementation of the general goal for the regional development policy, i.e. “fostering conditions for enhancing competitiveness of the whole country and individual regions vis-à-vis European countries and regions”. Total contract implementation in 2000-2003 entails a state budget allocation of close to PLN 4.5 bn. or €1.1 bn. This translates into an average annual provision for regional development from the state budget (almost exclusively technical and social infrastructure) of ca. €450 Mio, i.e. more than twice the total allocations under Phare CBC and Phare SEC for the period. Contract implementation will be at its most significant in 2001-2003 in view of completing a number of capex projects in social infrastructure (hospitals) and regional and local-type projects (roads and environmental protection infrastructure). The voivodship contracts were the first-ever attempt at applying long-term financial planning in development measures at such a large scale. Regional policy support has covered the entire country, with greater opportunities for obtaining development funds being opened gradually, upon completion of a number of capex projects initiated in 1980’s and 1990’s (in 2001, these were 74%, and in 2002 over 62% of the total cap) to areas threatened by economic and social exclusion, including in particular rural and industrial restructuring areas, in compliance with the state’s regional policy guidelines. Inclusion into contracts of funds available from „competent ministers” was the first attempt at identifying state budget funds actually targeted at regional development which have been treated solely as a sectoral policy instrument so far. Incorporation of pre-accession funds into programming and implementation of voivodship contracts has spawned integration of measures pursued in foreign and domestic programmes. This may be of sizeable impact for formulating the rules for programming and financial arrangements upon Poland’s entry into the EU. The procedures adopted in the contracts have become a logistical exercise in terms of the programming system, financial package arrangements, monitoring, evaluation and reporting on the spending of funds for regional development, in line with EU regulations in this respect.

4. Regional development strategy

4.1 Polish regions in the European Union

Poland's accession to the EU creates new opportunities for regional policy in Poland. The attractiveness of Poland in competing for new investments and raising living standards of the population will be subject to an unprecedented test. The way of responding to new challenges will depend on three key factors:

- structural and macro-economic policy on the national level;
- development strategy implemented at the regional level;
- improvement of efficiency in using available resources at the national and regional levels, i.a. by further decentralization and devolution of entitlements of the public authorities.

4.1.1 Strengths of Polish regions

In the perspective of challenges resulting from EU membership, Poland's spatial structure has the following advantages:

- fairly modest differences between regions (at the voivodship level – NUTS II), comparable to the average EU level;
- poly-centric settlement and socio-economic structure, with several dominant and evenly distributed large urban centres;
- economy modernisation and vitalisation factors concentrated in large urban centres, which concentrate R&D centres, people with best skills, with relatively good infrastructural connections and developed business environment institutions. Rapid economic growth in these centres offers opportunities for efficient use of the country's available resources (economic activity factors), which contribute to enhancing the competitiveness of the entire economy, provided that adequate quality of infrastructure connections is ensured between them and the environment, along with greater mobility of the population;
- advanced restructuring processes in Upper Silesia, one of Europe's most problem-ridden areas;
- favourable demographic structure – large proportion of young population with improving professional qualifications;
- number of students in tertiary education, recently doubled, and development of a decentralised growth model in tertiary education facilities, which improves access to education for young people in towns and rural areas;
- growth of the SME sector and increased entrepreneurship, practically throughout Poland and in particular the commitment to implement the Government's "Entrepreneurship-Development-Employment"-programme;
- relatively balanced distribution of natural assets and cultural heritage, which ensures relatively easy access of residents to the natural environment of good quality and development of tourism;

- throughout Poland, presence of natural resources, which may be an important factor for increasing competitiveness of regions (water bodies, forests, geothermal energy, bio-fuel);
- increasing participation of Polish regions in international cooperation in cross-border areas (Euro regions) in the regional dimension (Baltic Sea region), and via direct bilateral contacts with regions in European countries. This enhances opportunities for promoting investment projects and know-how transfer;
- launch of a decentralised three-tier model of the State's territorial structure (in 1999), gradual decentralisation of public finance and transfer of the programming and management function to the voivodship level which sets strong foundations for increasing partnership, efficiency and effectiveness in development policy pursuit in the interest of local and regional communities that are increasingly pro-active in this policy area.

4.1.2 Weaknesses of Polish regions

In the perspective of challenges stemming from EU membership, Poland's spatial structure has the following disadvantages:

- low GDP per capita in all the regions in relation to the EU, in purchasing power parity terms, this is ca. 40% and, in terms of foreign exchange, almost twice less: GDP per capita in the most robust voivodship (Mazowieckie) is just 57% of the EU average;
- Poland's economically weakest regions are at the tail end of Eurostat's list, which illustrate inter-regional diversity in EU Member States and association countries, the Lubelskie, Podkarpackie, Podlaskie and Warmińsko-Mazurskie voivodships were in the last ten;
- large share of population employed in agriculture (the highest across the EU is in eastern Poland's voivodships), which affects low GDP rates per capita and regions' competitiveness, coupled with parallel low gross value added per employee in the sector;
- low level of education and low participation in continuing education and training, in rural areas in particular;
- low and falling participation rates, hidden unemployment especially in rural areas;
- low quality of health care service especially in rural areas and small towns which is connected with disparities in the accessibility to diagnostic services and insufficient quality of equipment in most hospitals and local medical centres;
- Lack of appropriate sport infrastructure especially in small towns and rural areas, as well as low quality of sport facilities in different level of schools, which limit physical growth of population;
- increased spatial differences on a sub-regional and local scale, resulting i.a. from limited mobility of the population and lack of improvements in the quality of infrastructural connections between growth centres and their hinterland; developmental processes in 1990's set off growth concentrations in a limited number of larger urban centres, which results in more diversities within voivodships

(between municipalities (gminas) and counties (poviats) in terms of GDP levels, unemployment rates, infrastructure on the ground or quality of labour force);

- areas threatened by permanent marginalization and exclusion from developmental processes and increasing range of social pathologies (including areas with a large proportion of rural population and low urbanisation rate, and large industrial zones, socially and economically decayed neighbourhoods in cities, especially the industrial monoculture);
- lesser attractiveness for investments in areas degraded by industrial impact (also beyond old industrial zones) and military presence, as well as depletion of housing stock, social facilities and historical objects in many towns; to the largest extent, the problems persist in northern Poland, Lower and Upper Silesia (Dolny i Górny Śląsk);
- the highest proportionate growth of labour force resources in areas with the weak potential for adaptation and competitiveness, fragmentation of rural settlement patterns, which boosts the cost of public infrastructure development;
- inappropriate quality of infrastructural connections to incorporate Polish regions in European systems (chiefly air, road, rail transportation and data transmission infrastructure);
- low level of public transport in large urban centres;
- inferior quality of inter- and intra-regional infrastructural connections;
- low innovation in SMEs due to restricted capital access and little internationalization in their business operation;
- insufficient quantity and quality of environmental protection infrastructure, particularly in water and sewage management, air and noise protection; the issue is problematic in isolated urban location throughout Poland, and in most rural areas, in particular in central, eastern and south-eastern Poland;
- little regional advancement in the creation of the information society (infrastructure, education, corporate participation and supporting institutions) and considerable inter- and intra-regional differences; a fragmented rural settlement pattern and low education levels are a barrier for opportunities to include a larger share of rural population in the process of building the information society.

4.1.3 Development opportunities of Polish regions

All Polish regions have development opportunities. These result from the following key factors:

- favourable geo-political conditions, and in particular:
 - the accession of Poland to the EU, opening up the possibilities of activation of international exchange of capital, goods, services and labour resources;
 - the location of Poland set to serve transit flows in Europe in the East-West and North-South relations;
 - good conditions for the activation of cross-border cooperation with neighbouring countries, not being candidates to the EU (Belarus, Russia, Ukraine);

- the premises of Poland's development policy, and in particular:
 - stimulation of a high GDP growth rate; the achievement of that target in the long run requires the participation of all the regions;
 - improvement of skills and qualifications of human resources available on the labour market;
 - enhancement of planning and co-ordination capacity for HRD at regional and local level;
 - commitment to implement Regional Innovation Strategies;
 - strengthening of the balanced condition of the sector of public finance, manifested by low inflation, limitation of public debt and budget deficit, as well as reduction of the imbalance in the balance of payments in foreign trade; that is a necessary condition for the accumulation of local funds for the support of regional development in conjunction with EU aid funding;
 - consistent decentralisation of public administration and of the system of public finance, which will enhance the efficiency of management of financial resources in the regions.
- features of the economic and regional structure of the country, as well as objectively conditioned processes of its transformation, and in particular:
 - the multi-centre character and moderate degree of concentration of the settlement network and economic activity; sustained maintenance and reinforcement of these features will enable the active participation of all the regions in the processes of development of the country;
 - the distinct advancement of Warsaw in the system of Euro-poles, which creates the prospects for the activation not only of the metropolis, but also of the region of Masovia [Mazowsze] and the whole country;
 - the decentralised model of higher education developing in recent years, which increases the access of youth from rural areas and small towns to education, resulting in the increase of potential territorial mobility of that youth.
- specific features, resources and potential capacities of particular regions, sub-regions, poviats, towns and gminas, identified in the voivodships and providing the base for intra-regional development policy. In particular, the point is to:
 - utilise the diverse values of the natural and cultural environment, which are particularly valuable on the European scale, for the development of tourism;
 - exploit the locations close to the borders for the activation on the regional and local scale the regions, towns and communes in the eastern and south-eastern part of the country;
 - exploit the location on the seacoast of the respective regions, towns and municipalities (*gminas*) for the effective cooperation in the framework of the VASAB programme, devoted to the objective of assuring sustainable development of the region of the Baltic Sea;
 - utilisation of the local and regional conditions for the development of tourism and health resort medical services.

The exploitation of the identified opportunities for the development of Polish regions will require coordinated measures at the national level, as well as regional and local levels, combined with sector and problem oriented approaches, and also the logistic and financial support from the European Union.

4.1.4 Threats to the development of Polish regions

The following threats to the development of Polish regions may be identified:

- unfavourable changes of geo-political conditions, independent of Poland's control, including:
 - aggravation of global scale conflicts, which weaken the business cycle trend and the intensity of international trade;
 - introduction of visas for citizens of Belarus, Russia and Ukraine, carrying the risk of slowing down the development of economic cooperation, especially at the level of small and medium size enterprises, and prejudicing cross-border cooperation;
- failures of the programmes of development and restructuring of the Polish economy, and in particular:
 - the slow down of the processes of decentralisation of public finance, which may reduce the efficiency of the utilisation of the funds allocated for regional development;
 - the strengthening of socially and economically inefficient regions (excessively expanded sector I, mainly agriculture and traditional industries, underdevelopment of construction and market services) that contributes to reduce the GDP growth rate and the rate of growth of disposable income of the population;
 - the lack of progress in the restructuring of large state-owned enterprises, caused by the resistance of political forces and trade unions;
 - the too slow process of modernisation and development of the transport infrastructure, in particular the so called European corridors, which may limit the benefits resulting from Poland's transit oriented location and limit benefits for internal transports;
- the lack of progress in multi-functional development of rural areas, i.a. resulting in the further decline of disposable income of large numbers of the population living from farming;
 - restrain of vocational and territorial mobility caused by the ineffective system of social assistance.
 - emigration of well-trained and high-skilled people.
 - the lack of progress in the effectiveness of management of the institutional system for the needs of regional development policy, and in particular of its adaptation to the requirements of the structural funds, and above all:
 - no clear course of regional policy of the state, coordinated with the policies of development of particular voivodships;
 - strengthening of clear disproportion between the tasks of regional and local self-governments, and the own revenues of these self-governments;

- lack of effective solutions enabling to participate in the financing of the costs of programmes and projects implemented with the help of assistance funds from the EU;
- personnel deficit (quantitative and qualitative) in the system of regional development management, both at the national and provincial (voivodship) level;
- underdevelopment of institutions providing support to business in the sphere of technical and technological progress, dissemination of information technology, and also the overcoming of financial barriers to the development of companies, especially in the sector of small and medium size enterprises.

4.2 Regional policy aims of the state in 2004-2006 NDP implementation

The definition of the objective of regional policy in Poland, as well as the scope and the criteria for its support by the state, has been the object of numerous analyses, projections and discussions in the nineteen-nineties. The views of politicians, experts and social partners oscillated between the neo-liberal option, limiting the intervention of the state in that sphere practically to special cases, and the equalising option, advocating the support of the “weakest among the weak”. The premises which served for the development of a solution seeking a middle way between these extremes were identified and analysed already in the works of the Polish-EU Task Force for Regional Development of Poland in 1996. The main premises among them are as follows:

- the scale of inter-regional diversities in Poland is similar to that in the EU, so these differences are not the key problem of regional policy. It consists rather of the relatively low level of economic development of the country as a whole and of all the regions. It is important, therefore, to create conditions stimulating the development of the country in all of its regions, relying mainly on the endogenous factors specific for each one of them.
- the economic, social and territorial structure of Poland, illustrated by the relations such as “rural-urban areas” or “farming-non-agricultural sectors of the economy”, displays characteristics similar to most of the developed European countries at the turn of the nineteen-fifties and nineteen-sixties. The interventionist policy of the state with respect to the weakly urbanised regions and ones dominated by inefficient farming cannot strengthen that archaic structure, but should rather enhance its modernisation. It was therefore unlikely and rather ineffective to “freeze” the present territorial structure of demographic potential. To the contrary, the policy of regional development ought to lead toward such allocation of that potential, as to create the opportunities for all Polish people to actively and effectively participate in the processes of growth and modernisation of the country.
- numerous enclaves, particularly threatened by the risk of permanent marginalization and social exclusion, require the application of a range of instruments of support oriented above all at the improvement of the qualitative features of human resources, so as to increase the vocational and territorial mobility of these resources. Economic activation of these enclaves, although undoubtedly desirable, should not consist of using the taxpayers’ money to finance ineffective allocation of capital – whether public or private.
- the accomplishment of high and sustainable rate of growth of the country will require not only the use of the factors that are most accessible and easiest provide

with capital, but also the factors of a potential nature, with a longer period of return on the invested outlays. In the territorial context this implies that one cannot solely rely on just a few agglomerations – as the „locomotives of growth”, but also the conditions need to be developed (infrastructure, human resources, ability to absorb the supporting funds) in order to activate also other centres and regions.

The balancing of appropriate proportions between the above presented premises for the selection of the general regional development policy goal must take into account the fact, that such a policy is, and will continue to be, an integral element of structural policy. If the objective of structural policy in Poland is the increase of the competitiveness of the economy, the impact upon the implementation of that goal stands out as the basic criterion for the evaluation of any sector-specific policies, which include also the regional policy. At the same time, any sector policy must contribute to the implementation of the strategic aim of the European Union, which is the achievement of enduring social, economic and territorial cohesion of all the member countries.

The strategic goal of the National Development Plan 2004-2006 and the overall objective of the Community Support Framework 2004-2006 are formulated on the basis of the assumptions mentioned above. It consists of the development of a competitive economy based on knowledge and enterprise, with the capacity for long term sustainable and harmonious development, assuring the growth of employment and achievement of social, economic and territorial cohesion with the European Union at the regional and national level. The implementation of the strategic goal of the NDP as well as the overall objective of the CSF 2004-2006 will be done via partial objectives, i.e.:

1. Supporting the achievement and sustaining of high GDP growth in the long term. The implementation of this objective should lead, in particular, to macroeconomic balance and financial stability, as well as to arriving at a durable trend of declining inflation and reducing the budget deficit.
2. Increase of the level of employment and education. The implementation of this objective should enhance the implementation of measures to reduce labour costs and to increase the flexibility and also territorial and vocational mobility of labour, as well as improving access to higher and secondary level education.
3. The inclusion of Poland in the European transport and information infrastructure networks. This objective will contribute to the improvement of quality of the transportation, environmental and social infrastructure, and its result will consist of Poland becoming included as part of the system of the European economy.
4. Intensification of the process of increasing the contribution of high value added sectors to the structure of the economy, the development of information technology in society. The implementation of this partial objective will consist of continuing the processes of restructuring and supporting the most effective employment, which will be done by means of increasing the outlays in the research and development sphere, as well as the development of information society technology, as a basis for the intensification of the structural changes and the assurance of competitiveness of the Polish economy over the long term time perspective.
5. Supporting the sharing of all the regions and social groups in Poland in the processes of development and modernisation. The implementation of this objective will consist of the conduct by the state of active and complex regional policy, as well as of supporting the process of vocational and social integration of the groups facing the risk of being marginalized, the result of which will consist of reducing the territorial and social inequalities throughout the country.

The partial objectives are of a horizontal nature – the implementation of all the activities covered by the NDP and CSF should contribute to their achievement, with the concurrent maintenance of equal opportunities for women and men, as well as sustaining the values of the natural environment and the development of its protection.

The regional policy of the state in the context of implementation of the National Development Plan as well as implementation of Community Support Framework must lead to the achievement of the set goals determined for the entire economy in the face of the prospective accession of Poland to the European Union. In accordance with the goals of the European policy of social and economic cohesion, what emerges in the foreground, is **the problem of differentiation of the level of economic development and creation of competitive capacity of the Polish regions in relation to the European regions, and therefore, the enhancement and maximising of economic growth.**

The progress of development processes and the analysis of new development factors that are decisive for the competitive strength of the economy, such as access to innovations, location of international corporations and financial institutions, as well as the qualifications of labour and a modern transport infrastructure indicate that the process of deepening inter-regional differences resulting from Poland's entry to the European Union may be accelerated and may cause that certain areas might be left outside of the main course of the processes of development. Owing to this consideration, a parallel tasks for regional policy must consist of undertaking the implementation of restructuring programmes addressing the rural areas, the areas where traditional industries prevail, and those towns, which are losing the previously existing foundations of growth, in order to minimise the threats resulting from the territorial concentration of the phenomena of social and economic marginalization and degradation. The Integrated Regional Operational Programme (IROP) will be the most important instrument for the implementation of the above formulated tasks over the years 2004-2006.

The strategic goal of the Integrated Regional Operational Programme for the years 2004-2006, formulated from this point of view, is defined as follows:

Creation of the conditions for the growth of competitiveness of the regions and preventing the marginalization of certain areas in such manner, as to enhance the long term economic development of the country, its economic, social and territorial cohesion as well as integration with the European Union.

This goal was formulated in the National Regional Development Strategy for the years 2001-2006 and it is the basis for the conduct of co-ordination in this regard of all the activities undertaken within the framework of regional development policy and in the framework of the National Development Plan 2004-2006 and the Community Support Framework 2004-2006.

Implementation of the objective of The IROP shall contribute to achieve the overall objective of the CSF for 2004-2006, formulated as development of a competitive economy based on knowledge and entrepreneurship ensuring employment, growth and the improvement of social, economic and spatial cohesion.

Following two pillars of the CSF strategy - **high and sustainable economic growth and increase in employment** - have been the main criteria for selecting the priorities and measures of the IROP. The selected development axes for the Structural Funds, which are inter-linked and mutually supportive, are:

- I. Developing the growth of, and employment in, the enterprise sector
- II. Human capital development
- III. Improving infrastructure endowments related to economic growth and the quality of life

IV. Improving the conditions for regional development including rural development.

The measures undertaken under the IROP will implement the **fourth axis** of the CSF concerning improving the conditions for regional development including rural development.

The IROP will also contribute to the implementation of two other axes:

- the **second axis** of the CSF concerning human capital development,
- the **third axis** of the CSF concerning improving infrastructure endowments related to economic growth and the quality of life.

The increase of competitiveness (mentioned in the objective of The IROP) should be conceived as the exerting of impact upon the economic structure and the improvement of the situation of all the regions in Poland in relation to the regions of Europe, in the areas of productivity of the economy, labour efficiency, creation and absorption of innovations, education of the inhabitants, disposable income of the population, as well as the quantity and quality of the technical network infrastructure, and therefore those factors, which are presently decisive for the strength of the economies of countries and regions. The main orientations for the creation of conditions for the growth of competitiveness of the regions is the strengthening of the development capacity of growth centres, the increase of the level of education and competitiveness of regional firms, by the following means:

- development and modernisation of regional infrastructure of:
 - transports;
 - environmental protection;
 - regional social infrastructure, including, in particular, tertiary education and regional health care system;
- development of information society, support for the development of regional research and development and innovation systems, as well as the capacities of the regions in the field of tourism and culture ;
- strengthening of the system of education and training preparing the inhabitants of the regions for the anticipated needs of the labour market in the future.

The basic comprehensive measure of the growth of competitiveness of the Polish regions will consist of the growth rate of the GDP per capita in particular voivodships of Poland in relation to the EU average.

Prevention of the marginalization of certain areas (mentioned in the objective of The IROP) should be understood as the adoption of intervention measures in relation to a limited number and territorial scope of such areas as:

- rural areas;
- areas under restructuring (including areas of concentration of traditional industries);
- socially and economically degraded urban and post-industrial space, and also areas disused by the military;

which have the least development capacities and are in the most difficult social and economic condition. This will be done by the following means:

- increasing the vocational and territorial mobility of the workforce by providing a system of professional counselling, training, retraining and grants helping to start up a business activity;

- support for the development of infrastructure directly supporting the investments of business enterprises on a given area, the diversification of business enterprise, including the expansion of employment in tourist and other services;
- direct financial and training and consulting aid for people working in agriculture sector under restructuring sector processes and in tradition industries intending to start their own business activities;
- financial and advisory support to nearly established micro-enterprises, i.e. those operating for not longer than 3 years;
- assistance in support of the renewal and change of use of degraded towns with dilapidated urban texture, as well as areas left in disuse by industry, previous military use and urban areas;
- support for the diversification of economic activities in the rural areas.
- local social infrastructure, including in particular, schools and local health care system

The measure of success of the regional development policy in this regard will consist of not allowing any marked increase of differentiation by voivodships and in relation to the areas covered by the restructuring programmes, the level of GDP per capita, and the improvement, in relation to the national average, of the basic social and economic indicators, above all the rate of unemployment, the level of education and the degree of infrastructure provision.

Leading towards the implementation of the strategic goal of the regional development policy of the state, the IROP will enhance economic growth, structural transformation of the regions, urban development, increasing territorial mobility of the population, and the increase of the level of skills and knowledge and access to most modern information society technologies and business enterprises.

The success of public intervention in the processes of development of the regions depends on a very large number of factors, which are sometimes difficult to identify and to quantify. Monitoring of the process and evaluation of the effects of intervention within the IROP framework will be based on the official data from the National Statistical Office (GUS) and Eurostat, and will be conducted according to the principles described in Chapter 8.

4.3 IROP guidelines and implementation principles

The strategy of regional development of Poland assumes the effective exploitation of the opportunities resulting from the membership of the European Union, the coordination of the sector specific measures and the appropriate orientation of public intervention addressing the course of development processes in the particular voivodships in a way adapted to their social and economic structure, their needs for modernisation, the objectives of development strategy at the regional level, and their actual absorption capacity.

Similarly as in the case of implementation of the NDP and the implementation of the CSF through the specific sectoral operational programmes, the condition for the success of this strategy consists of the creation at the national level of appropriate macroeconomic conditions for economic growth and the creation of jobs.

The IROP programme framework has been defined in collaboration with the self-government bodies at the voivodships, and the proposed priorities and measures, in particular the priorities I and II, will be realised horizontally over the entire territory of the country.

Priority III, concerning local development, will be of a local nature, and the measures realised under its framework will be addressed at territorially limited rural areas, areas under restructuring (including areas of prevalence of traditional industries), and degraded towns or districts, degraded lands left behind by former industrial or military use and also nearly established micro-enterprises, i.e. these operating for not longer than 3 years. In this manner the projects implemented within the scope of the different measures are selected both in accordance with the objectives of the regional policy of the state defined in the National Regional Development Strategy for 2001-2006, and with the objectives of the development strategies of the voivodships, which have been prepared and approved at all of the voivodships. Since the year 2001 these strategies provide the basis for the implementation of 'voivodship contracts' – consisting of agreements made between the central government and the self-governing authorities of the voivodships concerning the joint implementation of development measures in the voivodships.

During the first period of Poland's membership of the European Union particular attention will be devoted to the strengthening of absorption capacity concerning the programming and management of the structural funds at the national and regional level. This objective is also served, among other things, by the possibility of reallocation of the planned financial resources by the managing authority (Ministry of the Economy, Labour and Social Policy) within the scope of the determined priorities and measures, across the different voivodships in the event of arising implementation difficulties. The introduction of an element of competition between the projects increases the significance of the quality of the conducted preparations for the implementation of projects for the regions concerned and, at the same time, it makes it necessary for the Ministry of the Economy, Labour and Social Policy to very carefully implement an effective system of monitoring the progress of implementation of the IROP priorities and measures in the particular voivodships.

The achievement of the assumed regional policy goals requires an integrated influencing of the many mutually related elements of the social and economic structure of the regions: the enterprises, including especially small and medium size businesses, infrastructure, including above all the transport network and the protection of the environment, as well as human resources. The financing resources, which will be applied for the support of the determined objectives, come from the budget of the European Union (structural funds: ERDF and ESF) as well as from national public sources (state budget, budgets of territorial self-government units, non-budgetary specific purpose funds) and private sources. The basic principle of their expenditure will consist of economic effectiveness and the positive impact of the project concerned, proven by *ex-ante* evaluation, upon the achievement of the IROP goals.

All of the measures undertaken in the framework of the IROP will be implemented in a way respecting the principles of sustainable development, protection and improvement of the condition of the environment, and the promotion of equality between women and men.

The implementation of the IROP will be subordinated to the principles of social and economic cohesion of the EU and to the requirements resulting from the Polish legal system:

Programming Principle

At the national and regional (voivodship) level the policy of regional development is conducted on the basis of multiannual strategies, programmes and development plans, and wherever this is justified by the needs of the local communities – at the sub-regional level (of poviats or their groupings), based on restructuring programmes and local development

programmes. The programming of regional development is of a complex and complementary nature, which requires the close coordination of the programming process at the central level (Minister of the Economy, Labour and Social Policy), as well as at the regional level (voivodship - administration). Such coordination concerns both the measures undertaken within the framework of regional policy, and the measures connected with the implementation of particular structural (sector specific) policies, which generate territorial consequences.

Concentration Principle

Taking into the account the limited amount of financial resources, the regional development policy of the state concentrates the intervention measures on the regions according to geographically defined territory (supported areas) and establishes a hierarchy of priorities corresponding to the importance of the formulated goals, allocating the respective amounts of the financial support accordingly. The application of the concentration principle is manifested also by the differentiation – depending on the type of the beneficiaries of the assistance – of the maximum contribution of public aid to the investments of the business entrepreneurs and the maximum co-financing awarded to the projects of the self-government authorities provided from the resources of the structural funds and from the state budget.

The indicative allocation of IROP funds applied to the implementation of regional development policy covers all the voivodships, but it prefers the areas with the least favourable development conditions (the lowest level of GDP per capita and the highest level of structural unemployment), areas under restructuring of traditional industries and agriculture, as well as border areas), their availability being conditional, however, upon the fulfilment of the rules of economic efficiency.

The creation of conditions for the increase of competitiveness of all the voivodships will be achieved mainly through the coordination of horizontal policies, formulated in other sector specific operational programmes.

Additionality Principle

The application of the additionality principle to the regional policy will assure that the magnitude of national public expenditure applied to the direct implementation of its goals will not be reduced on the account of financial support from the Community. This implies that the state budget funds allocated for regional policy in the post-accession period will not be less than in the pre-accession period. Also the territorial self-government units will not reduce the level of development expenditures to the expense of the grants received from the state budget and from the structural funds, subject to the sanction of the loss of eligibility for the receipt of supportive measures. It will be necessary, however, to modify the hitherto existing territorial structure of distribution of the state budget expenditures in order to accommodate the priorities adopted by the present strategy.

Subsidiarity Principle

In spite of the centralised system of management of the IROP, there will be a decentralisation and de-concentration down to the regional level of the tasks concerned with the programming and management of the programme, in accordance with the legally determined capacities and competencies of the units of public authority. This will enable to develop mechanisms of active cooperation of all the participating entities and will prepare

the regional authorities for the assumption of full responsibility for the programming and management of the regional programmes co-financed from the resources of the structural funds after the year 2006. In order to assure the appropriate effectiveness of the regional development policy, the foundation of regional development must consist not only of the self-dependence of the regions (voivodships) in the area of determining the objectives of their own development, but also the ability of the voivodship self-governing bodies to cooperate with other public and private bodies for the assurance of adequate levels of co-financing of the tasks realised in the framework of regional development programmes.

Partnership Principle

The process of preparation, management, monitoring and evaluation of the intervention measures adopted in the IROP, similarly as in the case of any activities conducted as part of the regional development policy of the state, will involve all the interested institutions and organisations – representatives of the state authorities at the central and regional level, self-government authorities at the voivodship, poviát and municipality (gmina) level, representatives of social and economic circles, including non-government organisations, academic bodies, business entrepreneurs and farmers, as well as the European Commission. The social partners will comprise an essential element of the implementation of the regional development policy, by participating in the works of steering and monitoring committees and numerous advisory and consultative bodies operating at different level of the implementation of the IROP.

Sustainable development principle

Measures that will be realized in the IROP will respect the sustainable development principle, which has been adopted as the prevailing development concept in the Constitution of the Republic of Poland, the Treaty establishing the European Union, and many international documents. It implies the requirement to take care of the condition of the environment in the programmes of social and economic development, to seek to harmonise the objectives of social and economic development with the environmental conditions, and to assure consistent growth in the long term dimension. In the process of regional policy implementation it is realised by taking into account the principle of sustainable growth at the stage of programming, planning and designing, investment serving the needs of improvement of the condition of the environment, performance of environmental impact assessments, observing the regulations on the protection of the environment, and also the right of access to information and social participation in the decision making process concerning the environment.

5. Implementation of governmental regional policy objectives and principles via IROP

5.1 IROP consistency with Community regulations and standards

The Integrated Regional Operational Programme is consistent with the basic orientations of development resulting from the Community policies. The programmed financial operations drawing on the sources from the Community are consistent with its policies and measures, including the principles of competitiveness, protection and improvement of the condition of the environment, elimination of inequality and promotion of gender equality between women and men (Council Regulation No 1260/99/EC).

5.1.1 Competition policy

The operations financed by the structural funds should be in conformity with the provisions of the Treaty establishing the European Community and with the Community policies and measures (article 12 of the Council Regulation No 1260/99/EC) within the framework of competition policy.

Compliance of the rules of competition with the requirements of the community legal acts is provided for in Poland until the date of accession by the Act of 27 July 2002 on the conditions of admissibility and monitoring of public aid for business entrepreneurs (Journal of Laws - Dz.U. 2002 No 141 item 1177) with later amendments and by the Act of 15 December 2000 on the protection of competition and of consumers (Journal of Laws - Dz.U. 2000 No 122 item 1319) with later amendments. These laws regulate both the conditions of admissibility of aid for particular sectors, as well as the granting of horizontal and regional aid, together with procedural issues. These acts constitute the Polish framework laws assuring the *ex-ante* and *ex-post* control of the public aid granted in Poland. The same regulations are also binding for the entrepreneurs receiving public aid coming from resources originating from the pre-accession funds.

Aid to areas suffering from a high level of unemployment and a particularly low standard of living is intended to constitute an element of the economic policy programme of the state, and to be differentiated depending on the form, magnitude and period of its application, and also depending on the scale of the problems which it seeks to resolve. All form of assistance (operational programmes, single programming documents, Community initiative programmes) should contain a summary of the measures planned in a table (which refers to *i.a.* the state aid number of the measure which is granted by the Commission, reference of the Commission's approval letter and the duration of the measure). This table must include all State aid measures both those notified to the Commission and those exempted under a block exemption Regulation. The assistance cannot exceed the permissible maximum levels, which are expressed, similarly as in the Member States of the EU, in terms of the costs of investments and the job created.

After the accession to the EU, the provisions of the Articles 87-89 of the Treaty establishing the European Community will come into directly binding force in Poland. The provisions of the law on the conditions of admissibility and monitoring of public aid for entrepreneurs will be replaced by the above provisions and by legal acts issued on their basis.

In measures or sub-measures within the operational programme where there is state aid, the maximum regional aid intensities will be in conformity with the ceilings provided for the regional aid map for Poland

A sound mechanism to control the cumulation of aid under different aid schemes and from different sources (including the cumulation of 'de minimis aid') shall be established. Where schemes falling under the SME, training and employment block exemption regulations are used prior to accession, such schemes will be notified to the European Commission under the interim procedure.

5.1.2 Public procurement

All of the operations financed by the structural funds within the IROP comply with the provisions of the Treaty establishing the European Community and with Community policies and measures (Council Regulation No 1260/99/EC) within the scope covering the conclusion of public procurement contracts.

The public procurement will be regulated by a new act, replacing the Act of 10 June 1994, that will provide the basis for the commissioning of public procurement orders concerning the projects co-financed by the EU structural instruments, and will be fully consistent with the Council Directives: 93/37/EEC, 93/36/EEC, 92/50/EEC, 93/38/EEC, 89/665/EEC and 92/13/EEC.

The central organ of public administration in Poland, which is competent for the matters of public procurement consists presently of the President of the Public Procurement Office (UZP). The scope of competence of the President of the UZP includes, i.a., the approval of the mode of granting a public procurement order other than by means of unlimited public tender, as well as the keeping of a list of arbiters for handling the settlement of appeals filed in the course of public procurement proceedings. The tasks of the President of the UZP also include the publication of the Public Procurement Bulletin, in which the announcements of invitations to public tender are published (moreover, the commissioning party is obliged to display the information concerning the respective open tender in a place accessible to the public at its headquarters and on an internet site).

5.1.3 Protection of the environment

IROP implementation in the domain of the protection of the environment will take place in accordance with EU requirements, and especially art. 1 and 12 of the Council Regulation 1260/1999 of June 21, 1999 laying down general provisions on structural funds, which states that pursuing the objectives of the Treaty shall also contribute to i.a. the protection and improvement of the environment and that operations financed by the Funds or receiving assistance from the EIB or from another financial instrument of the Community, shall be in conformity with the provisions of the Treaty, with instruments adopted under it and with Community policies and actions including the rules on environmental protection. In particular all operations undertaken under the IROP will comply with all obligations resulting from the Habitats and Wild Birds directives and with directive 85/337/EEC as amended by directive 97/11/EC.

The documents: *II-nd State Ecological Policy (II PEP)* dated on 13th of June 2000, *Ecological Policy of the State for the years 2003-2006 taking into account the perspectives for the years 2007-2010* (December 2002), are adapted to the V-th Programme of Community

Measures concerned with the environment - *'Towards sustainability'*, and to the orientations of the changes set out in the VI-th Programme - *'Our Future. Our Choice'* (COM (2001)31).

Furthermore, all the implemented measures in the different regions concerned with the programming of the protection of the environment and implementation of ecological policy, must comply with the Act on the Environmental Protection Law of 27th of April 2001 (Journal of Laws - Dz.U.2001 No 62 item 627), the Act on Water Management Law of 18 July 2001 (Journal of Laws - Dz.U. 2001, No 115, item1229), the Act on waste management of 27 April 2001 (Journal of Laws - Dz.U.2001 No 62, item628) and other laws within their scope covering issues of the protection of the environment. The Environmental Protection Law obliges the administrations of the poviat, the voivodship and the gmina to prepare voivodship, poviat and municipal (commune) programmes of protection of the environment, which should be consistent with the development strategies of the administrative regions.

At the level of IROP programming an *ex-ante* environmental impact assessment has been conducted by independent experts. At the implementation stage, environmental impact assessments will be undertaken for those investments requiring this, in line with applicable legal regulations, contained in the Act on the Environmental Protection Law as well as European legislation which may be directly applicable even if not yet transposed into national legislation.

5.1.4 Equal Opportunities of women and men

All the measures under the IROP will be conducted in compliance with the requirements of the Community and with the provisions of the Regulation 1260/99/EC concerning the elimination of gender inequality and the promotion of equality between women and men [gender equality] both during the programming stage and the implementation stage.

Across the IROP as a whole, the attainment of equal opportunities between men and women is horizontal principle. With respect to the situation on the Polish labour market women are at relative disadvantage compared to men. In 2002 the employment gap between women and men was about 11%. Women made up 45% of the total number of employees, and about 55% of all unemployed. In general, women are more threatened by unemployment, especially by the long-term one.

The most important factors influencing women's situation in the labour market include:

- Quantity of women, which loose their jobs due to company related reasons, is twice as large as the quantity of men losing their jobs for the same reason. This proves the opinion that during the restructuring process, women are made redundant more often (or perhaps they are the first to be made redundant).
- Stereotypical perception of women's and men's professional roles resulting in the situation that the majority of job offers submitted to labour offices concerns jobs traditionally perceived as male jobs. Furthermore employers more willingly employ men than women because women are perceived as less flexible employees.
- Long professional inactivity (maternity leave, child care leave, care over disabled family member), what leads to ageing of professional qualifications. This may be the reason for the higher long-term unemployment rate among women.

Women are in a much more difficult situation than men because very often they have to combine professional career with household obligations, rearing of children, etc.

Equal rights in family, political, social and economic life between women and men in Poland are guaranteed by the Constitution of the Republic of Poland (Article 33), whereas the provisions of the Act of 24th of August 2001 on the amendment of the Act – the Labour Code, and on the amendment of certain other Acts, fully adapt the issues concerning gender equality between women and men to the requirements of the respective acts of Community law. The Act assures, among other things, the equal treatment of women and men in the domain of employment, equal employee rights connected with child rearing and regulates the working conditions applying to women during pregnancy and breast feeding of small children.

Actions aimed at assuring equal status of men and women have been concentrated by appointing a government plenipotentiary for women rights. Since October 2001 this function is carried out by the Secretariat of the Government Plenipotentiary for Equal Status of Woman and Men within the structures of Prime Minister's Office. They are concentrated on promotional and educational issues, and are designed to inspire actions for women among different groups, and especially in rural areas, where the situation of women is the most difficult in view of the traditional and stereotyped approaches to the division of social roles, structural unemployment (registered and hidden), inadequate infrastructure, difficult access to sources of information.

Implementation of the policy of equal opportunities between women and men with co-financing from Structural Funds shall be conducted directly within the Sectoral Operational Programme "Human resources development" through concentration of measures on professional integration and re-integration of women on the labour market and increasing their professional activity. But the objective of equal opportunities will also be reflected in other Operational Programmes, including Integrated Regional Operational Programme.

The principle of equal treatment of women and men is respected and taken into account already at the stage of IROP programming. This is enhanced, above all, by the consultations with the representatives of various social groups and communities. In the course of implementing the measures concerned with the development of human resources attention will be given, among other things, to the elimination of unequal treatment on the labour market and in the vocational development of women.

Supporting of equality between women and men will be given a special emphasis with respect to operations financed from the European Social Fund and implemented under IROP's Priority No 2 – *Strengthening the human resources development in regions*. During the measures implementation under Priority 2 of IROP account will be taken of equal opportunities for men and women with the view to equal access by men and women to all types of educational, guidance training, coaching etc. projects carried out under the measures, in order to enhance men and women's activity on the regional labour market.

The measures implementation will have a favourable impact on increasing employment of both women and men by adapting their qualifications to the regional market requirements. Improved vocational mobility, including better qualifications fitting the region's future economic profile is a very important factor, in particular giving the populations' improved employability in the regional labour market.

Supporting of equality between women and men will also be supported with measures financed from ERDF under IROP's Priority No 1 – Development and Modernisation of the infrastructure to enhance the competitiveness of regions and Priority No 3 – Local Development. The special attention will be given to equality between women and men in the field of employment, principally through the establishment of firms and through infrastructure and services enabling the reconciliation of family and working life.

The issue of equal opportunities is also one of the criteria for the selection of projects. Applicants filing requests for financial assistance under IROP will be expected to demonstrate that the proposed projects correspond with the policy of equal opportunities for women and men. The standard application form for financing from ESF takes account of this.

5.1.5 Common Agricultural Policy

The objectives with respect to agriculture and the rural areas set out in the IROP framework are complementary with respect to the objectives of the Common Agricultural Policy (CAP) defined in the Article 33 of the Treaty establishing the European Community. The measures implemented by IROP will be complementary to the instruments of Pillar I of the CAP.

Presently, the agricultural policy in Poland is conducted on the basis of the document entitled *Consistent structural policy of development of rural areas and agriculture for the years 2000-2006*, adopted by the Council of Ministers on 13th of July 1999. It assumes the implementation of measures leading towards the improvement of working conditions and living standards of the rural population, the reconstruction of the structures of the sector of agriculture, and the shaping of conditions for sustainable development of rural areas and increasing the competitiveness of the products of the Polish food processing industry.

5.1.6 Employment policy

The measures undertaken within the IROP in relation to the quality of human resources and the methods of operation concerned with their development and the labour market policy correspond with the principles and requirements of the Community policy adopted in the Treaty of Amsterdam and based on indications of JAP process (Joint Assessment of Employment Priorities) and of the new European Employment Strategy (EES), as well as the objectives adopted by the member states during the European Council Summit in Lisbon in the year 2000.

The Brussels European Council in March 2003 confirmed that the EES has the leading role in the implementation of the employment and labour market objectives of the Lisbon strategy, and that the EES and the Board Economic Policy Guidelines, which provide the overarching economic policy co-ordination for the Community, should operate in a consistent way. The working method used for the EES is known as the “open method of co-ordination” and is based on five key principles: subsidiarity, convergence, management by objective, country surveillance and an integrated approach. The co-ordination of national employment policies at EU level stems from the commitment by Member States to establish a set of common objectives and targets of employment policy and is built around several components: Employment Guidelines, National Action Plans, Joint Employment Report and country specific recommendations. Poland will present its first National Action Plan in autumn 2004.

The Employment Guidelines represent a set of objectives which, until 2003, were grouped under four “pillars” (employability, entrepreneurship, adaptability, equal opportunities) together with horizontal objectives. In January 2003, the European Commission presented a Communication on a revised European Strategy for full employment and better jobs for all with concrete objectives and targets. On 22 July 2003, the Council adopted guidelines for the employment policies of the Member States. The Council Decision (2003/578/EC), reflecting the Lisbon agenda, highlights the three overarching objectives of

- full employment

- improving quality and productivity at work
- strengthening social cohesion and inclusion

and insists on the better delivery and governance of the EES. The Council adopted ten specific Employment Guidelines, with a new three-year perspective, which are priorities for action for the Member States in pursuit of the three overarching objectives:

- 1) Active and preventative measure for the unemployed and inactive
- 2) Job creation and entrepreneurship;
- 3) Address change and promote adaptability and mobility in the labour market;
- 4) Promote development of human capital and lifelong learning;
- 5) Increase labour supply and promote active ageing;
- 6) Gender equality;
- 7) Promote the integration of and combat the discrimination against people at a disadvantage in the labour market;
- 8) Make work pay through incentives to enhance work attractiveness;
- 9) Transform undeclared work into regular employment;
- 10) Address regional employment disparities

Equal opportunities and gender equality are emphasised as vital horizontal priorities for making progress towards the objectives. Good governance and the involvement of Parliamentary bodies, social partners and other relevant actors in the implementation of the Employment Guidelines is also particularly stressed, while fully respecting national traditions and practices

The Employment Policy Frame of Reference, summarised in the Community Support Framework (CSF), provides the link between the human resources strategy selected for Structural Funds' support and the policy priorities of the European Employment Strategy translated in the Joint Assessment of Employment Priorities in Poland (JAP) and the conclusions on the implementation of the JAP, and presents also the relation to the new European Employment Guidelines. The interlinkages with the Joint Inclusion Memorandum (JIM) and strategic national documents on labour market and social policy are also duly demonstrated.

The approaches adopted in the IROP reflect the principal challenges in the area of employment identified in the document signed in early 2001 by the Polish Government and by the European Commission – The JAP. The JAP, which examined the degree of Poland's advancement in the adaptation of its labour market policy to the implementation of the EES, constituted a strategic document for all the planning and programming works. It recognises the need to have a dynamic market economy which is part of the single market, and in particular the need to have mobile, easily adaptable and qualified employees. The JAP addresses also the issue of policy creation and having institutions in place that support the development of a flexible labour market.

The key policy priorities identified in the JAP and aimed at supporting the transformation of the labour market and human resource development are as follows: 1) responsiveness of education and training systems to labour market needs (reform of education system and development of lifelong learning), 2) labour market restructuring (improving labour market

functioning through public finance reform leading to the limitation and improved targeting of public expenditures, including social transfers and through supporting entrepreneurship), 3) active labour market policy and its implementation (reforming public employment services, reducing regional differences, restructuring traditional sectors and increasing the role of social dialogue), 4) strengthening administrative capacity to manage the European Social Fund assistance.

Measure 2.2 *Equalising educational opportunities through scholarship programmes* within the IROP reflects some of the objectives identified by the JAP in the education area. These are: to provide equal education opportunities for children and youth, raise the level of secondary and tertiary education, improve its quality and adapt the education system to labour market needs.

Since there is a direct relationship between education and unemployment (e.g. in the end of 2002 unemployed with basic vocational and lower level of education accounted for 60% of the total registered unemployed) improving the quality of education in Poland and addressing the problem of the urban-rural divide in compulsory education need to be urgently dealt with.

The importance of education may be expected to rise on the labour market along with the development of the knowledge based society. Therefore, together with the continuation of the education system reform, development of continuous education was put in the first place among JAP priorities. Measure 2.1 of the IROP *Development of competencies linked to the regional Labour Market needs and Life Long learning opportunities* addresses this issue. All evidence points to the urgent need to expand and modernise lifelong learning capacities to promote the adaptability of workers and enterprises. Adults should be given the opportunity to complete education and to acquire, renew and extend professional qualifications, through the possibilities of participating in out-of-school education.

The second JAP priority recognises the need of an employment creation friendly environment. This should be done by supporting entrepreneurship (e.g. simplification of start-up business registration procedures, simplification of business inspection, lowering the cost of running a business) and by conducting public finance reform that would lead to the limitation and improved targeting of public expenditures. Measures 2.5 *Entrepreneurship promotion* and 2.6 *Regional Innovation Strategies and transfer of knowledge* address this JAP priority. Supporting entrepreneurship remains a key issue in Poland. The governmental programme "Entrepreneurship-Development-Work" (stage I and II) aim at strengthening SME development and local job creation. Changes in terms of simplification of new business registration procedures and lowering the cost of running a business are awaited. Moreover, the government's activities are aimed at reducing labour costs. High level of labour costs, in particular those other than wages, is considered by employers to be one of the chief factors hindering development of enterprises. Another objective is making the regulations on employment relationship more flexible so that an employer and an employee may adapt the relationship to their needs without simultaneous infringement of the basic interests of the employee. Insufficient remuneration flexibility may pose a significant obstacle to employment development in regions of low percentage of vocationally active population. Similarly, high level of the minimum wages may adversely affect the situation of persons with low qualifications. Therefore, the necessity to make remunerations in Poland more flexible is stressed.

High unemployment rate, including structural unemployment requires, in addition to actions aimed at creating new jobs, actions addressed to the unemployed persons and supporting the capacity of being employed. Therefore, the third JAP priority is the development of active labour market policies. This will involve improving active labour market measures, creating

and realizing new regional and local employment activation programmes, to support restructuring of sectors and enterprises, increasing the role of social dialogue in the preparation and implementation of vocational activation programs and supporting development of volunteering as a method to upgrade qualifications of young people and co-operate with “public benefit” organizations. Whereas the Human Resource Development Sectoral Operational Programme will provide support for the development and modernisation of labour market instruments and institutions, the activities foreseen under the IROP will aim at assisting people leaving the traditional sectors that are being restructured.

The aim of measure 2.4 *Vocational reorientation of the workforce affected with restructuring processes* is adaptation of the skills of the workforce threatened by redundancies. Restructuring of industries is one of the great problems of Polish labour market. Currently, one of the Government’s priorities has become activation of the unemployed, combined with creation of new jobs and promotion of employment. Restructuring of difficult sectors will require local and regional job creation programmes. The Government will promote combination of enterprise restructuring with simultaneous investment. In practice, this will mean the creation of a new enterprises with the greatest possible use of restructured assets.

As it was duly recognised in the JAP, social partners have a key role in the restructuring process not only through sustaining employment-friendly wage developments but also through actively promoting structural change at the enterprise level.

Measure 2.3 *Vocational reorientation of people leaving agriculture sector* will support creating conditions for people active in agriculture to start professional activity outside agriculture sector. As till now this kind of assistance was provided in the framework of the Rural Areas Activation Programme. The Programme aims to create new non-farming jobs. Program measures include investments in infrastructure, education, training, as well as granting micro-loans to rural residents. It needs to be underscored, that comprehensive employment restructuring policy for agriculture or, more broadly, rural areas has yet to be developed.

The promotion of economic activity of women and their rights on the labour market is an issue strongly emphasised in the Joint Assessment Paper. Due to the requirements of complying with the European law, amendments to the *Labour Code* and several other laws have been drafted, toward prohibiting various forms of gender-based discrimination.

The above-mentioned priorities may be realised with the assistance of the European Social Fund (ESF). However, the condition for the complete use of available resources is an efficient and effective system of implementation, management, monitoring and control of realisation of activities financed from the ESF. Therefore the fourth priority is creating institutional structures necessary to implement the ESF. This will involve, among others, the preparation of structures, at national and regional level, required for ESF management and implementation, including reaching sufficient staff numbers and training.

5.1.7 Social Inclusion Policy agenda and the Joint Inclusion Memorandum (JIM)

The National Development Programme, within the framework of different operational programmes, is aimed at supporting the social inclusion policy, as the social exclusion phenomenon is one of the biggest challenges faced by Poland. The Task Force for Social Reintegration, headed by Minister of Economy, has prepared the National Strategy for Social Inclusion and is expected to finalise its works by December 2003 after the final drafting of the Joint Inclusion Memorandum (JIM) The IROP, next to other operational programmes

contributes to addressing the JIM assumptions and reflects some of the key challenges identified in the JIM.

1. *Threat of permanent exclusion from the labour market*

The most important challenges relate to the activation of those groups that have lowest employment rates and persons that are long-term unemployed, in particular beneficiaries of social welfare. Employers should be encouraged to employ and integrate workers who are threatened with exclusion. Regional and local knowledge and capacity should be built up, in particular in areas of substantial downsizing of declining smokestack industries and in the rural areas. Collective redundancies should be coupled with provision of new job opportunities for the affected workers.

Inadequate income of considerable segments of the society: families with many children, single-parent families, low educated families, and families providing care to special need persons is leading to the threat of exclusion. Active social policies should be implemented to support these high-risk groups.

Employability is considered as one of the most important and most effective method of not only combating poverty and social exclusion, but preventing them as well. Within the framework of the Integrated Regional Operational Programme (IROP), it is planned to carry out projects promoting employment of people leaving agriculture and declining industries and assisting those threatened by redundancy due to restructuring processes (measures 2.3 and 2.4). An important issue in order to enhance employability of persons is also to improve the skills level of human resources and adapt them to labour market requirements. Those actions may be implemented, in particular, via development of continuous education (measure 2.1 *Development of competencies linked to the regional Labour Market needs and Life Long Learning opportunities*).

2. *Educational disadvantage*

Children from rural areas and small towns are specified in the JIM as one of the most disadvantaged groups regarding educational opportunities. They attend schools which are insufficiently equipped, are taught by teachers who are often less qualified, and are afforded fewer educational options. Computer literacy and entrepreneurial skills are not sufficiently developed, especially among children from underprivileged areas.

Too many children with particular underprivileged backgrounds still attend vocational schools that do not prepare them for successful careers. General education high schools and profiled high schools more effectively prepare students for the needs of the present-day labour market. The value of mainstreaming of special education students is appreciated, but the cost is an important constraint.

The educational disadvantage will be tackled, in the framework of the IROP measure 2.2 by improving access to education for children from rural areas and students from disadvantaged areas by means of scholarships that will enable them to continue their education. The measure 1.3 *Regional Social Infrastructure* will focus on reinforcing the role of tertiary education institutions and preparing them to play a key role in the process of building up the competitive regional economy. And the main objective of the measure 3.5 *Local Social Infrastructure* is to improve the quality of education, provide schools and educational institutions with necessary equipment, including equalising opportunity of access to higher level education between pupils from urban and rural areas.

In order to enhance the efforts to develop the knowledge-based society, the above-mentioned measure 2.1 of the IROP will aim at the development of lifelong learning and will lead to

increase the skills potential of the labour force. The opportunities for receiving a solid educational background will be enhanced and in consequence may result in finding better jobs.

Furthermore, the measure 1.5 *Information society infrastructure* foreseen in the framework of the IROP will aim at ensuring equal access to the new technologies, enabling socially excluded groups to participate in the knowledge-based society.

3. *Support for family solidarity, combating addictions, child abuse and domestic violence*

Families are the best and the most cost-effective providers of socialisation and care. However, families are under severe strain. The reconciliation of working and family life is a crucial instrument for supporting family functions. Developing such institutions as day-care centres for children and dependent persons, or caring and rearing centres will offer support for the professional activity of people.

4. *Housing*

Many families, especially in urban centres cannot afford adequate housing. Financial support for first-time home- or apartment-owners is inadequate. Too many young and/or multiple children families have insufficient income to qualify for home loans at the going market rates. The needs of people, who due to their difficult financial standing are unable to acquire accommodation for themselves, may be fulfilled indirectly thanks to the increased opportunity to find employment through the programmes implemented within the IROP. In a long-term perspective, all the actions aimed at eliminating barriers for social and economic development will, by improving the financial resources of people, facilitate obtaining proper accommodation.

5. *Access to quality services*

Access to quality services should be improved with no substantial increases in public spending, which already puts a strain on public finances. However, not all shortcomings in quality and accessibility can be explained by Poland's relatively low GDP. Improvements are possible through better management of available resources.

In the framework of the measure 1.3 *Regional Social Infrastructure* as well as 3.5 *Local social infrastructure* of the IROP the quality of health care services of care centres and hospitals will be addressed.

6. *Social services*

Reforms have already been undertaken to meet the challenge of accessibility and quality. Better coordination of social assistance and labour market measures may reduce waste and abuse and free up resources for better service delivery and accessibility for those who really need them.

7. *Health care*

Improvement of the healthcare system was identified as one of the key challenges in the Joint Inclusion Memorandum. The main problems indicated in the JIM relate to inadequate access to services and unsatisfactory organisational arrangements of the system. Measure 1.3 *Regional Social Infrastructure* as well as 3.5 *Local social infrastructure* of the IROP will aim at modernisation and equipping health care centres and hospitals.

8. *Transport*

The lack of possibility to use the means of transport (a problem that exists predominantly in rural areas) may make it difficult to counteract the social exclusion phenomenon. The IROP will concentrate on measures implemented in the regions which will be oriented at the

development and modernisation of regional and local road infrastructure, improving the citizens' access to e.g. school and work.

9. *Policy integration*

The task of combating poverty and social exclusion requires concerted action involving central and local government agencies, as well as territorial self-governments. Integration of policies at both the design and implementation stages is a major challenge to a government administration used to strict compartmentalisation.

10. *Rehabilitation of areas of multiple deprivation*

Significant regions of Poland (Śląsk, Łódź, coastal areas) with heavy concentration of declining industries and post-state-farm areas have been hit particularly hard by the social consequences of their downsizing or even outright liquidation. This is a challenge for regional policy. One of the JIM challenge is that the right mix of policies must be found to provide social protection for the affected workers and their families, effective activation measures and alternative jobs.

Within the framework of the IROP the social and economic activation of regions with the highest degree of threat of social exclusion will take place. Particular emphasis will be placed on rural areas, areas of concentration of traditional industries, and socially and economically degraded towns and urban districts, degraded lands deserted by industry or former military bases. The implementation of different measures will contribute to socio-economic renovation of towns and villages, to improvement of the investment level in the regions, as well as to increased mobility of people.

Measure 3.3 *Revitalisation of degraded urban, post-industrial and post-military sites* will aim at development of degraded urban, post-industrial and post-military sites' new functions, restoring degraded objects' and sites' lost socio-economic functions.

5.1.8 Research and development policy

Poland's research and development policy, and therewith the measures applied under the IROP, is conducted in accordance with the principles and requirements of the research and development policy of the EU. Poland's participation in that policy has been confirmed by the inclusion of the country in August 1999 into the Fifth Framework Programme of Research, Technical Development and Presentation (1999-2002) and in November 2002 into the Sixth Framework Programme (2003-2006).

An important stage in the development of research and development cooperation of Poland with the countries of Western Europe consisted of its accession in 1995 to the EUREKA Programme (*European Research Coordination Agency*), the objective of which is to exploit the capacity of research for contributing to the increase of efficiency and competitiveness of the industries and the economies of the European countries.

The creation of favourable conditions for the growth of innovativeness in the economy as a factor strongly enhancing its competitiveness will be implemented under the IROP as part of the measure concerned with the regional innovation strategies, the objective of which consists above all of providing support to the institutions operating in favour of the development of technology, the promotion of broader cooperation between the enterprises and the research and development institutions, as well as supporting technology transfers to the SMEs.

5.1.9 Information society

The information society development programme in Poland is consistent with the course adopted at the European Council Summit in Lisbon.

Following the model provided by the initiative of the European Commission „e-Europe – an information society for all”, on December 23, 2003 the government has adopted the *Information society strategy for the Republic of Poland – ePoland 2004-2006*.

The information society strategy for the Republic of Poland identifies three main areas for action: Internet access to all, on-line content and services and ICT literacy, which are coherent with the eEurope Action Plan in all aspects. Considering the weak overall infrastructure access, in particular in rural areas, the development of broadband infrastructure in the strategy mainly focuses on schools, public administrations and public Internet access points., whereas its implementation will be taken into account both in sector specific programmes and in regional programmes in the form of applying advantageous project selection criteria in this domain.

5.1.10 Regional development

Poland belongs to the group of countries, where long-term regional economy strategies are prepared. The document entitled *Policy Concept for National Spatial Development (PCNSD)* was approved by the Council of Ministers in 1999, and by the Parliament of the Republic of Poland in the year 2000. The IROP takes into account the objectives and priorities of regional development formulated in that document.

The solutions adopted in the IROP fully comply with the principles, objectives and priorities of EU regional policy, formulated in the document concerning the territorial aspects of development in the European Union (*European Spatial Development Perspective – ESDP*).

Indeed, these indicate that the area of the European Union should feature:

- the development of a polycentric and balanced system of urban settlements and the support for partnership between urban and rural areas, in order to obliterate the differences between the urban and the rural areas;
- promotion of an integrated system of transports with the purpose to support polycentric development;
- protection of the natural environment and cultural heritage.

Relating to the indicative provisions of the ESDP and the PCNSD, in the IROP it is assumed that:

- the development and modernisation of the transport and telecommunications infrastructures will contribute to the improvement of spatial accessibility of the country and its regions, and thereby to the enhancement of their competitive strengths, as well as to the polycentric development of the urban settlements system in Poland;
- although one of the principle objectives of programming of the social and economic development of the country is to seek to diminish the differentiation of the levels of regional development, the concentration of expenditures on the priorities determined in the IROP may result in the largest agglomerations enjoying the fastest rate of growth. The point is, however, to

assure that by way of the diffusion of innovativeness they ought to contribute to the acceleration of development of the areas located within the range of their impact. This concept refers to the ESDP (*gate-way cities*);

- the measures serving the needs of changing the social and economic structure of the rural areas will contribute to the reduction of the often striking disparities between the standards of living in the urban and the rural areas;
- the rational exploitation and protection of the natural environment and of the cultural resources will be treated as priorities by all of the measures covered by the programme.

5.1.11 Transport Policy

The objectives set out for the development of transports under the framework of the IROP will be realised with due observance of the Community requirements and in compliance with the Regulation 1260/99/EC, which specifies the tasks of the ERDF Fund, namely the support for the development of local, regional and trans-European networks, together with the provision of adequate access of the transport infrastructure to them. The principles of complementarity and partnership defined in the Regulation 1260/99/EC (Article 8) are observed by the application of the regional and local level of the measures under the IROP framework in relation to the measures at the national level, that is of the trans-European networks.

The solutions adopted in the IROP correspond to the objectives set out by both European and national documents concerning regional planning (*European Spatial Development Perspective (ESDP)* and *Policy Concept for National Spatial Development (PCNSD)*).

This approach is consistent with the *Transport Policy* (adopted in June 1995), which is a programme determining the orientation of the transformation of the area of transport into a system adapted to the requirements of the market economy and to the new conditions of economic cooperation in Europe, and also with the *Transport policy of the state for the years 2001-2015 for the implementation of sustainable development of the country*. The general goal of that policy is to arrive at a system of transports, which will be balanced in technical, geographic, economic, social and environmental terms. The detailed premises of transport policy realised at the level of the regions have been contained in the *Regional Development Plans of the Voivodships*, the approval of which will soon be completed.

Additionally, all the measures under implementation must comply with the Act on Public Roads Law of 21 March 1985 O. J.00.71.838 .

The measures under the IROP framework are formulated and will be implemented in compliance with these documents.

5.2 Consistency with National and Regional Programming Documents

When preparing the IROP, recently drafted programming and planning documents formulating the strategic objectives and principles of the policy of the state in various domains were used as a basis. These consist, above all, of the following documents:

- **Economic Strategy of the SLD-UP-PSL Government: “Entrepreneurship – Growth – Jobs”** (adopted by the Council of Ministers on 29th of January 2002),

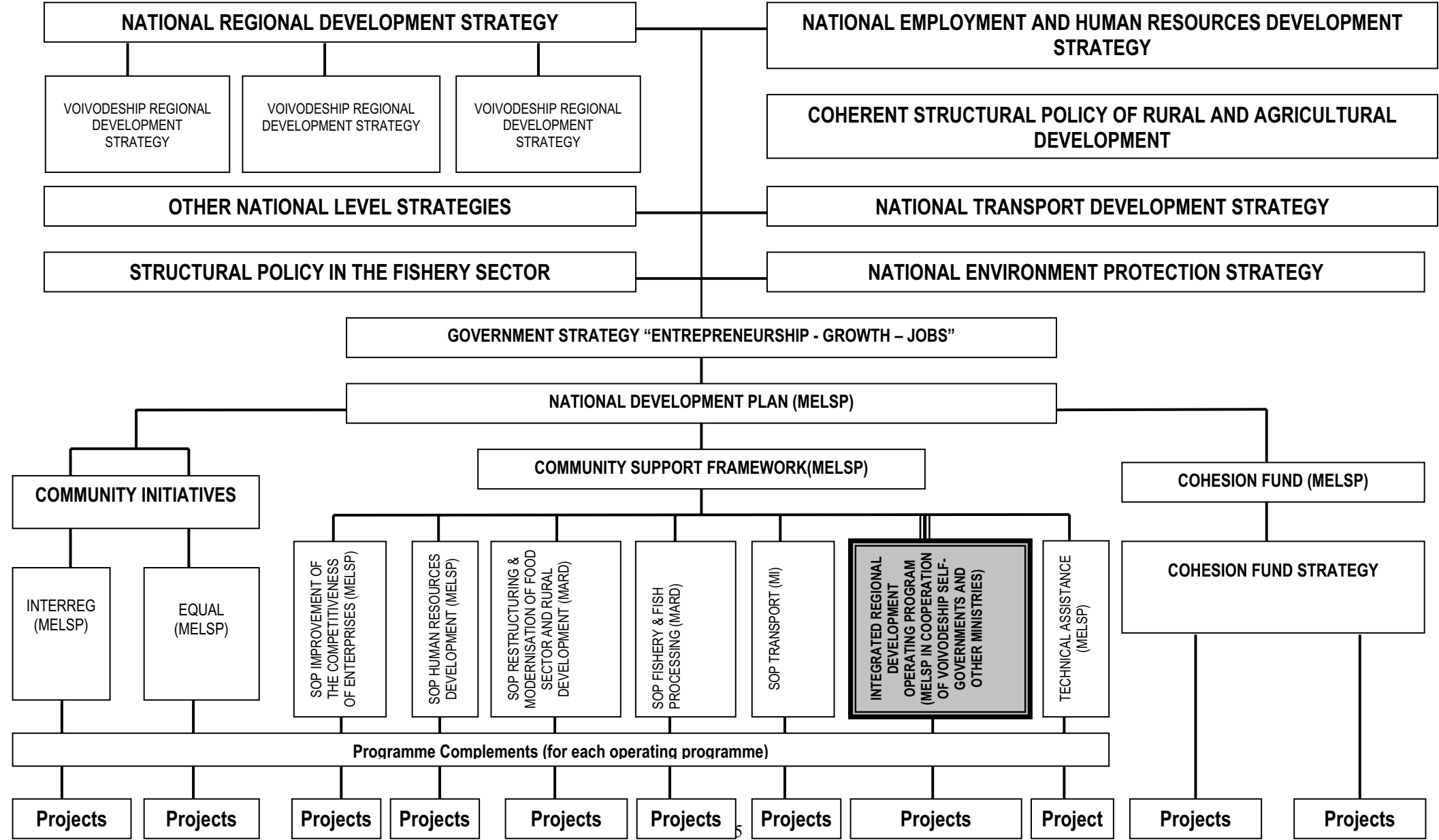
and long term documents:

- **Poland 2025. Long-term strategy of lasting and sustainable development** (adopted by the Council of Ministers on 26th of July 2000),
- **Policy Concept for National Spatial Development** (adopted by the Council of Ministers on 5th of October 1999).

With respect to the social and economic policy of the country the basis allowing the IROP to rely on the identification of the most important problems consists of the **National Regional Development Strategy 2001-2006** (adopted by the Council of Ministers on 28th of December 2000) and the medium-term sector specific strategies. It comprises the following documents:

- **National strategy for employment growth and human resources development 2000-2006** (adopted by the Council of Ministers on 4th of January 2000),
- **Consistent structural policy of development of rural areas and agriculture 2000-2006** (adopted by the Council of Ministers on 13th of July 1999),
- **National strategy of transport development 2000-2006**,
- **National strategy of protection of the environment for the years 2000-2006** (adopted by the Committee of the Council of Ministers for Regional and Sustainable Development Policy on 27th of July 2000) and **II-nd State Ecological Policy**, (adopted by the Council of Ministers on 13th of June 2000, by Parliament on 23rd of August 2001),
- *Information society strategy for the Republic of Poland – ePoland 2004-2006* (adopted by the Council of Ministers on 23rd of December 2003)
- **Social and Economic Strategy Entrepreneurship Development Work 2003-2006** (adopted by the GoP in 2002).
- **Voivodship regional development strategies**

Diagram 17. Integrated Regional Operational Programme (IROP) as an element of ERDF and ESF programming



The creation of legal, institutional and programming foundations for regional policy takes place on the basis of activities connected with the implementation of the *Act on the principles of supporting regional development*. This Act specifies the principles and forms of providing support for regional development granted by the state and the principles of cooperation in this respect between the government, the organs of government administration and territorial self-government authorities. According to the Act, the support of regional development has the purpose of addressing the development of different areas of the country, the improvement of living standards and conditions of the inhabitants, the creation of conditions for the improvement of competitiveness of the self-governing local communities, equalising the disparities of the level of development of different areas of the country, reducing the under-development of the less developed areas and those that have the least favourable conditions for development.

As part of the support given to regional development, the support from the state budget may be destined, above all, for the following purposes: the development of business enterprise (especially SMEs), to increase competitiveness and innovativeness of the economy, to create new jobs, for infrastructural investments, for projects in the field of protection of the environment, for education and training, actions in support of the development of regional and local culture, the development of institutions operating in favour of stimulating economic activities, and also studies and research necessary for the conduct of regional development policy. According to the provisions of the Act and by virtue of the Ordinance of the Council of Ministers of 28th of December 2000, the Support Programme for the years 2001 – 2003¹³ has been adopted. This programme specifies the procedure and the conditions of state support for voivodship programmes of regional development. Its general purpose is to stimulate social and economic development of the country and of its particular areas, in order to enhance competitiveness, the improvement of the standard of living and social, economic and spatial cohesion, both in terms of internal relations and in relations with the countries and regions of the Community.

Voivodship Contracts are an instrument of the implementation of state regional policy at the national level. They consist of a form of agreement between the Government of the Republic of Poland and the self-government authorities of the voivodship concerning the implementation of the priorities, measures and tasks specified in the voivodship programmes in accordance with the principles described in the Support Programme. The first round of such voivodship contracts was signed in June 2001, and they were subsequently renegotiated owing to the difficult situation of the state budget in May 2002. It is presently assumed that the first edition of the voivodship contracts will be in force until the end of 2003. After the accession of Poland to the EU the solutions currently contained in these contracts will be adapted accordingly to the requirements of the structural funds.

From the point of view of the measures serving the purposes of social and economic cohesion in Poland, and inscribed into the European regional policy, the **National Regional Development Strategy 2001–2006 (NRDS)** is of essential importance. Its main task is to provide the conditions for the growth of competitiveness of the regions in the national and the European setting, and also to counteract against the increase of inter-regional disparities. The objectives of the regional development policy of the state are formulated from the point of view of the needs of the nation as a whole. Priority is given to sustaining a high rate of economic growth, to the creation of new jobs, stimulation of structural changes

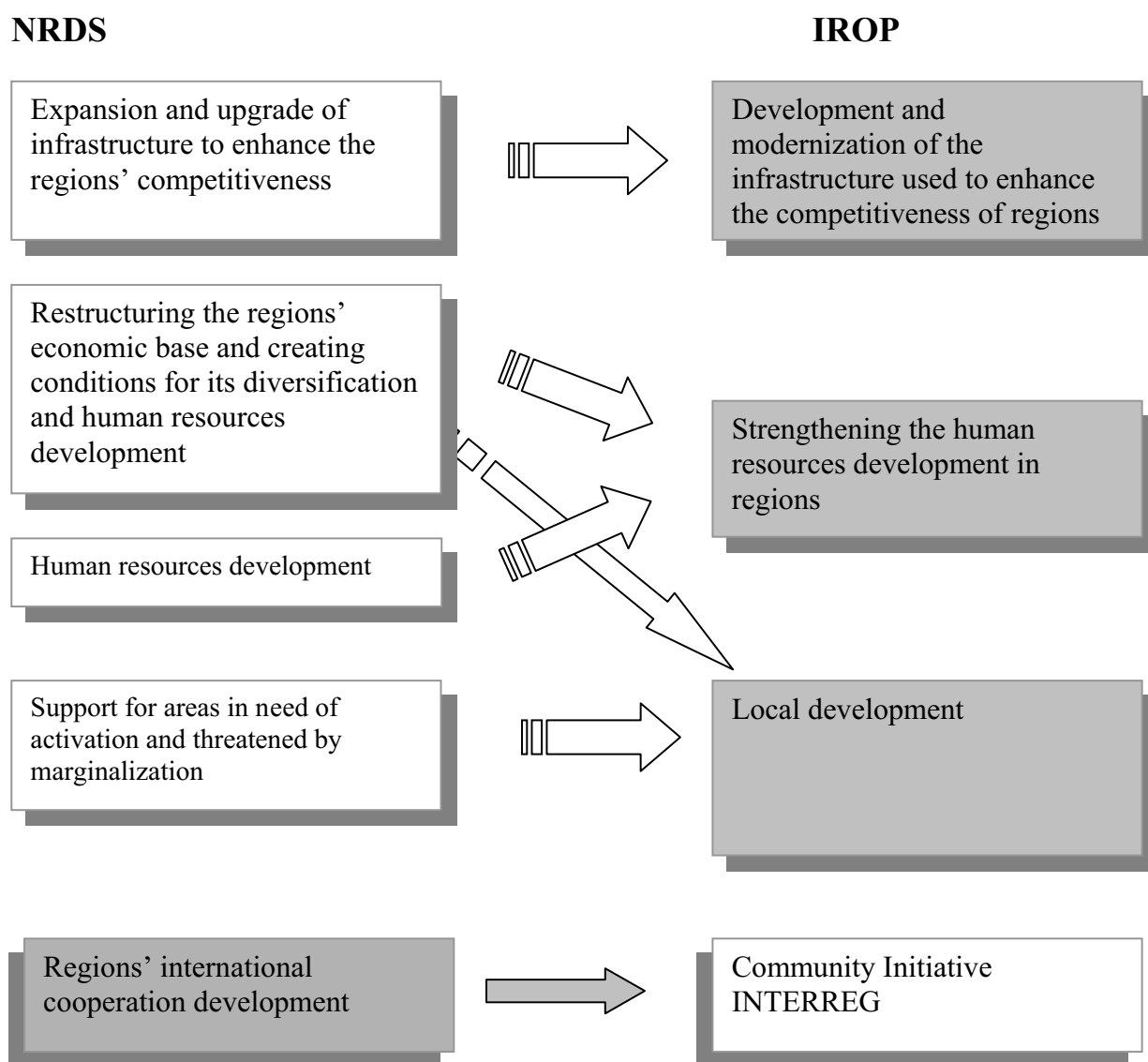
¹³ With subsequent amendments:
amendment dated 11 April 2001 /Dz. U. No 39, item 460/
amendment dated 28 May 2002 / Dz. U. No 73, item 666/

and modern forms of business activity, linked to the formation of information society, accompanied at the same time by the enabling of development and satisfaction of the needs of inhabitants of all the regions of Poland. The NRDS assumes the full utilisation of the possibilities created as the result of decentralisation of the administration of the state. The main goal of the NRDS is to create the conditions for the increase of competitiveness of the regions and prevention of the marginalization of some areas, in such a way as to enhance the long term economic development of the country, its economic, social and territorial cohesion, as well as integration with the European Union.

The goal of the IROP has been defined in the same way as the goal of the National Regional Development Strategy, also the proposed IROP priorities correspond with the respective priorities of the National Regional Development Strategy.

This solution enables to maintain the full complementarity of the activities conducted in the framework of the national regional development policy and the social and economic cohesion policy of the EU, which directly serves for the implementation of the objectives of the NRDS.

Diagram 18. Relationship of NRDS priorities to IROP priorities



The main objectives and priorities formulated in the IROP are also consistent with the Economic Strategy of the Polish Government “Entrepreneurship – Growth – Jobs”. It is a medium-term document, in which the government has set the following strategic objectives of economic policy:

- gradual return over the period of 2 years to the 5% GDP growth rate path;
- vocational activation of society and the increase of employment;
- effective absorption of the European funds and their utilisation for the benefit of development of the country.

This “Strategy” is realised by the programmes: “Enterprise above all”, “The first job”, “Infrastructure – key to development” and “Restructuring of selected sectors of the economy”.

The objectives and priorities of the IROP refer also to the long-term document **Poland 2025. Long-term Strategy of Sustainable and Balanced Development**. It assumes the achievement by the Polish economy of the conditions allowing sustainable and balanced development, which implies the necessity to correlate the economic, social and ecological aspects. The priorities of this strategy include education, the development of science, research and development capacities of the economy, as well as culture, protection of the natural environment and the assurance of the sense of material and personal security.

The document specifying the principles of the policy of the state in the domain of spatial development of the country within the term of the next dozen years or so consists of the **Policy Concept for National Spatial Development (PCNSD)**. The main assumptions of the PCNSD consist of the “acceleration of dynamic development of Poland as a country open to the global and European economic systems to overcome in this way the back-lag in its level of civilisation”. Poland’s space should be open, competitive, innovative, efficient, and above all ecologically clean. Moreover, it should also be diversified and managed in a decentralised manner.

The methods and principles of shaping Poland’s space defined in the PCNSD are of essential significance for the regional development policy of the state. In the face of the necessity to accelerate the processes of modernisation and improvement of efficiency of the Polish economy, the PCNSD has granted superior significance to the sustainable development of the country. In relation to territory this implies acceptance of the concentration of social and economic activity at the most favourable locations for economic development. Permanent polarisation of Poland’s space will be avoided by means of the following measures:

- the concentration of social and economic activity in nodes and bands of the system of regional development (Euro-poles, national centres for balancing the development, corridors stimulating dynamic development) selected on purpose, in accordance with the objectively conditioned mechanism of the functioning of the market economy;
- the equalising of historically shaped disproportions in the level of development of the country, discriminating the regional and local communities;
- the shaping of appropriate spatial conditions that enhance the acceleration of development in line with the European parameters and enabling all the inhabitants to participate in the civilisation processes of the modern world.

The strategic goal of the IROP and the priorities defined by it refer to the orientations of the spatial regional development of the state formulated as above.

The first document, which took up the implementation of the orientations set out in the structural strategies, regional strategy and the long-term documents is the **Preliminary National Development Plan for the years 2000-2003 (PNDP)**. Based on the sector specific strategies and the regional strategy, it has specified the orientations of development that serve the needs of strengthening of social and economic cohesion in the period preceding the accession to the EU.

The national regional development strategy is one of the six sector specific strategies formulated in the context of the works on the Preliminary National Development Plan for the years 2000-2003.

The basic tasks of the PNDP was to identify the greatest disparities between the levels of development in Poland and in the European Community, and that basis to determine the priorities the policy of social and economic cohesion in the pre-accession period. In the PNDP the orientations for intervention contained in the Phare, ISPA and SAPARD programmes have been indicated. They enable to increase the level of investments in those areas, which are particularly significant from the point of view of the need to achieve the internal and external social and economic cohesion of Poland.

The presently functioning Phare 2001 Programme covers eight voivodships, where projects connected with the development of infrastructure conditioning the conduct of economic activities will be realised. The remaining funds will be applied in the horizontal setting and will be allocated for the implementation of project in all of the voivodships in the following areas: support for small and medium size business enterprises and for human resources, in accordance with the priorities of the IROP.

IROP is also consistent with the medium-term sector oriented strategies. The implementation of the priorities which they contain has a bearing upon the shaping of the development of the regions and the enhancement of their competitiveness, and therefore the IROP relates to them in its own priorities, and at the same time it will serve as an instrument of “soft” regional and spatial coordination of these strategies.

National strategy of growth of employment and human resources development 2000-2006, assumes as its main goal the increase of the number of jobs, the improvement of the potential of qualifications attached to human resources and the improvement of the permanence of employment. The objectives of labour market policy and their achievement in relation to demographic trends and macroeconomic forecasts find their reflection in the IROP in the priority *Strengthening the human resources development in regions*.

Coherent structural policy of development of rural areas and farming 2000-2006 contains the basic conditioning factors, assumptions and policy objectives leading towards sustainable transformation of agriculture and the rural areas. The strategic development policy orientations formulated as above find their reflection in one of the IROP priorities, which concerns local development.

One of the orientations of the measures taken, *Regional information society* directly refers to the **National programme of information society development in Poland for the years 2001–2006**.

The **National transport development strategy 2000-2006** defines the striving to achieve a balanced development of transport in technical, geographic, economic, social and environmental terms. This document assumes the allocation of support funds for the priorities consisting of the implementation of projects connected with the Trans-European Networks (TEN) in Poland.

The development of infrastructure, including transportation infrastructure, is among the main priorities of the IROP – *Expansion and upgrade of infrastructure to enhance the regions' competitiveness*, and its implementation will serve towards the accomplishment of the assumptions formulated in the transport strategy.

The main objectives connected with the implementation of sustainable and balanced development in its ecological dimension have been contained in the **National environmental protection strategy for the years 2000-2006**. The objective of ecological policy of the state is to assure the ecological safety for the inhabitants and the development of social infrastructure as well as the protection of the resources of nature. The goal formulated as above is directly reflected in the IROP, in the priority *Expansion and upgrade of infrastructure to enhance the regions' competitiveness*, in particular in the measure: *Infrastructure of environmental protection*.

IROP fully takes into the account the contents of the **National programme of information society development in Poland for the years 2001-2006**. The need for fast technological, social and economic changes connected with the creation of information society, preparation for the challenges of the new labour market and new working methods, the growth of innovativeness of the economy in order to improve its competitiveness, find their reflection in all of the IROP priorities.

Regional and spatial coordination of the priorities and measures, realised in all of the sector oriented operational programmes is a specific function of the IROP. Its pioneering nature is also a challenge, the facing of which may be the source of a specific kind of “value added” in the course of implementation of the structural policy defined in the NDP. Notwithstanding, the participation of the regional partners in this task offers the opportunity to exploit yet another strength – the precise identification of the specific features of the particular regions and areas as a factor decisively conditioning the effectiveness of the undertaken coordination activities.

6. Priorities and measures implemented within IROP

This chapter contains the description of the priorities and measures which will be implemented as part of the Integrated Regional Operational Programme which constitutes an element of the fourth development axis of the Community Support Framework for Poland 2004-2006.

Chapter 6.1: concerns the priority *Development and modernisation of the infrastructure to enhance the competitiveness of regions*. This will be co-financed from the ERDF and oriented towards the support of regional infrastructure including investment in transport and the environment, the information society, tourism and culture and social and health care infrastructure which is of decisive significance for the development prospects of the Polish regions in the European Union.

Chapter 6.2 concerns the priority *Strengthening human resources development in the regions*, within which measures co-financed from the ESF are concentrated, oriented towards supporting the process of adaptation of the regional human resources to the requirements of the European labour market, equalising access to higher level education between rural and urban areas, cooperation of regional research and development sector with the world of business and the support for the development of entrepreneurship.

Chapter 6.3 concerns the priority *Local development*, co-financed by the ERDF, oriented towards supporting economic centres by means of projects in the field of infrastructure, especially transport links between regional centres, local tourism, culture and recreational infrastructure, educational and health care infrastructure, development of local micro-enterprises and infrastructure serving the needs of economic activity and revitalisation of degraded urban and industrial sites, as well as the revitalisation of abandoned former industrial and military sites.

Table 22. Estimated allocation of funds by priorities realised in the framework of the Integrated Regional Operational Programme (IROP) – Regional Development (EUR in current prices)

Priorities	Total public contribution to the priorities	Total Structural Funds	Total National public contribution	Private funding
	1=2+3	2	3	4
Development and modernisation of infrastructure to enhance the competitiveness of regions	2 462 020 369	1 762 567 948	699 452 421	50 297 474
Strengthening the human resources development in regions	598 655 517	438 469 535	160 185 982	14 003 097
Local development	970 031 043	727 523 283	242 507 760	81 904 490
Technical assistance	53 220 003	39 910 003	13 310 000	0
Total	4 083 926 932	2 968 470 769	1 115 456 163	146 205 061

The projects realised under all of the measures and priorities will be selected on the regional level, in accordance with the adopted indicative allocations (see: Chapter 7) and the implementation system (see: Chapter 8).

Detailed information concerning the description of the project selection criteria, the types of beneficiaries, the magnitude and forms of support, indicators for monitoring and the magnitude of co-financing of specific projects realised as part of the measures, will be contained in the Programme Complement.

6.1. Priority 1 - Development and modernisation of the infrastructure to enhance the competitiveness of regions

Introduction

In comparison to the EU member countries, Poland is a country with a low level and low quality of infrastructure facilities. This concerns practically all of the infrastructure subsystems: transport, information society, telecommunications, environment, education, health care, energy, research and development as well as culture, sport and tourism. This condition limits the ability of the regions to face competitive pressures after Poland's accession to the EU. The disparities of infrastructure as well as the lack of fast growth areas (gateway-cities) results in the reduction of development opportunities for the regions. A particular problem is presented by the poor access to the infrastructure for information society, which especially concerns the rural areas and small towns. The voivodships struggle with the insufficient quality of transport and telecommunications services, including the lack of efficient public transport, the lack of adequately equipped academic and health care establishments. Moreover, tourism, sport and cultural heritage sites in these regions, are not sufficiently developed to generate additional revenue and employment. Additionally, the infrastructure for the protection of the environment frequently does not meet current standards. This problem concerns in particular the areas of concentration of industry. All the problems with which the regions are struggling contribute to diminishing the capacity to attract investment and play the role of national and European growth centres, a consequence of which is the negative impact on the competitiveness of the whole economy and the standard of living of the population.

Objectives / Strategy

The goal of the IROP priority *Development and modernisation of the infrastructure to enhance the competitiveness of regions* is to enhance regional competitiveness by strengthening existing comparative advantages through investments in infrastructure. Priority will be given to the modernisation and upgrading of technical and social infrastructure influencing the development potential for the whole region, including the most dynamic growth centres.

Under this priority six complementary objectives are defined, the implementation of which determines the competitiveness of the regions:

- increase of the significance of the regional centres as places for investment and concentration of economic, social, tourism, sport and cultural activities;
- environment protection and the preservation of natural resources;
- improvement of infrastructure links between the regional centres and the remaining areas of the voivodships in order to enhance balanced economic development, access to employment, education, culture, and recreation;

- supplementing of links to national and international transport systems, and thereby complement the programmes of development and modernisation of the infrastructure networks planned under other operational programmes, serving the purposes of implementation of the CSF, i.e. SOP Transport and the projects implemented with the assistance of the Cohesion Fund;
- improvement of access of the population to the technical and social infrastructure which is essential for the development capacities of the regions;
- improvement of public transport in the cities and agglomerations.

Expected impact

Over the long term perspective the development and modernisation of technical and social infrastructure in the towns and the improvement of connections between the regional centres will contribute to the increase of vocational and geographic mobility of the population, and thereby increase access to employment and learning. (See: Annex II).

In the period of IROP implementation the funds allocated for the execution of measures and projects under priority 1 will come from the European Regional Development Fund, state budget, resources of the territorial self-government authorities, and from private sources.

Measure 1.1 Modernisation and Development of the Regional Transport System

Objectives of the measure:

The implementation of the measure will contribute to the improvement of access to the regions. This means faster and safer connections between the central locations and the other areas of the voivodships, better access to the network of national and international roads, Trans-European network, as well as better urban transport systems, including public transport, which will enhance cities as an environment for local economic development and growth.

Specific objectives of the measure include:

- improvement of connections between the regional economic centres and other centres in the voivodships,
- improvement of access to the seaports, fishing harbours, river ports used for commercial activities, airports, railway stations and other public transport facilities,
- improvement of the accessibility of existing and planned industrial and service facilities (e.g. business parks),
- relieving traffic congestion in towns, especially their economic and historical centres,
- enhancing the share of more environmentally friendly collective transport (e.g. tramways) in providing transport services in cities with the population of more than 50 thousand citizens and areas functionally connected with them,
- improvement of transport safety.

The support provided under the measure:

- construction and modernisation of roads of regional significance and linking significant economic centres as well as road within towns with a population over 20 thousand inhabitants (improvement of road quality, strengthening the road surfaces

to the permissible load per axle,) including construction and modernisation of bridges, flyovers, town by-passes, tunnels and other road engineering works,

- creating an efficient public transport network, including the improvement and integration of different forms of transport and solutions for monitoring and control of traffic within cities with a population of more than 50,000 and in areas functionally connected with them. Assistance can be provided for infrastructure renewal and development and for the purchase of equipment in the context of up-to-date transport plans or master plans for which the long-term sustainability can be demonstrated.

Complementarity with other measures or programs

The measure is one of the instruments for implementation of Poland's Transport Strategy. Thus, it complements activities undertaken within:

- SOP Transport;
- Cohesion Fund.
- Priority 3 of IROP "Local Development": Measures 3.1 "Rural areas" and 3.2. "Areas undergoing restructuring".

Main Final Beneficiaries/ Ultimate Recipients

- voivodship, powiat and gmina self-government authorities, or organisational units acting on behalf of them,
- associations, unions, agreements of administrative territorial units,
- entities providing public services commissioned by administrative self-government units,
- entities, chosen in a public tender procedure, providing public services commissioned by administrative self-government units.

Conformity with the EU legislation concerning state aid

The sub-measure 1.1.1

Assistance granted within the measure will not include State Aid.

The sub-measure 1.1.2

The area of transport is covered by the legacy of the Accession Treaty concerning transitional arrangement for measures in the transport sector.

Measure 1.2 Environmental Protection Infrastructure

Objectives of the measure:

The improvement of the quality of the natural environment, which will in turn improve the standard of living of the inhabitants and increase the investment opportunities, especially in the services sector (tourism) and the environmentally friendly industry sector. The implementation of the measure will contribute to implementation of *acquis communautaire* in the field of environment:

1. Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment
2. Council Directive 75/440/EEC of 16 June 1975 concerning the quality required of surface water intended for the abstraction of drinking water in the Member States
3. Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption
4. Council Directive 75/442/EEC of 15 July 1975 on waste
 - Council Directive 91/156/EEC of 18 March 1991 amending Directive 75/442/EEC on waste
 - Council Directive 91/692/EEC of 23 December 1991 standardizing and rationalizing reports on the implementation of certain Directives relating to the environment
 - 96/350/EC: Commission Decision of 24 May 1996 adapting Annexes IIA and IIB to Council Directive 75/442/EEC on waste (Text with EEA relevance)
5. Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste
6. Council Directive 89/429/EEC of 21 June 1989 on the reduction of air pollution from existing municipal waste-incineration plants
7. Directive 2000/76/EEC on Incineration of waste (repealing Directive 89/429/EEC and Directive 94/67/EC as of 28 December 2005)
8. European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste
9. Council Directive 94/31/EC of 27 June 1994 amending Directive 91/689/EEC on hazardous waste
10. Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture
11. Council Directive 96/62/EC of 27 September 1996 on ambient air quality assessment and management
12. Council Directive 2001/80/EC on large combustion plants

The support provided under the measure:

Under this Measure support will be provided for projects with a total cost of under € 10 million and more than € 1 million*. Projects with a total cost of over €10 million will be supported by the Cohesion Fund. Where projects can be grouped into coherent projects costing over €10 million, these will be supported by the Cohesion Fund. Projects costing less than €1 million will be supported in Priority 3 of IROP “Local Development”. Projects which will be supported include:

- concerning the protection of surface waters:
 - modernisation and construction of water abstraction, treatment and distribution systems,
 - construction and modernisation of waste water collection networks, rain water collection networks and waste water treatment plants,

* except for projects in the area of support for management of environmental protection.

- construction and modernisation of flood protection banks, provision of lands for polders and protection of sea coast zones, to be decided on a case by case basis depending on the content of the measures proposed,
- construction and modernisation of small retention reservoirs and weirs which will enable rivers to be exploited for economic purposes (e.g. tourism, recreation, hydro-power generation) and for the protection of the environment,
- concerning the protection of air:
 - modernisation and development of public-owned district heating systems and their equipment with installations for dust and sulphur removal from the waste gases to reduce emissions and to improve energy efficiency,
 - transformation of the existing heating systems (public properties) into more environmentally friendly systems, in particular the limitation of “low emissions”,
- concerning waste management:
 - construction and modernisation of existing landfills, and reclamation of disused waste landfills and elimination of uncontrolled illegal waste dumps,
 - extensive introduction of large scale sorting, recycling and composting with the aim of minimisation of waste disposed in landfills,
- in the area of support for management of environmental protection:
 - development of databases, information and monitoring systems concerning the environment,
 - development of information technology based environment management systems e.g. forestry and seacoast areas,
- in the area of gaining renewable energy sources:
 - construction, development and modernisation of the public infrastructure serving for the generation of electricity and heat from renewable sources (e.g. wind, biomass, hydro, geothermal, solar),

Complementarity with other measures or programs

- Cohesion Fund,
- Priority 3 of IROP “Local development”: Measures 3.1 “ Rural areas” and 3.2. “Areas undergoing restructuring”,
- SOP “Restructuring and Modernisation of Food Sector and Rural Development”: Measures: “Development and improvement of infrastructure related to agriculture”, “Agricultural water resources management”,
- SOP “Improvement of the Competitiveness of Enterprises”, Measure connected with adapting of the companies to environmental protection requirements.

Main Final Beneficiaries/ Ultimate Recipients

- voivodship, poviast and gmina self-government authorities,

- associations, unions, agreements of administrative territorial units,
- entities providing public services commissioned by territorial self-government authorities,
- entities, chosen in a public tender procedure, providing public services commissioned by administrative self-government units,
- administrative government units in voivodships,
- other public institutions.

Conformity with EU legislation concerning state aid

Projects supporting:

- protection of air,
- the area of gaining renewable energy sources

will be notified to the European Commission.

The assistance granted for projects supporting other areas covered by the Measure will not include State Aid.

Measure 1.3 Regional Social Infrastructure

Objectives of the Measure

The main goal of the Measure is to increase living standards through improvement of the quality of social infrastructure, including educational and health care infrastructure. The specific objectives of the Measure are to reinforce the role of tertiary education institutions and to prepare them to play a key role in the process of building up the competitive regional economy. Additionally the Measure is focused on improvement of quality of medical services in regions.

The Support provided under the Measure

- construction, development and modernisation of higher education institutions conducting teaching, scientific research and development activities (concerns e.g. lecture facilities, libraries, laboratories, equipment and other facilities serving for the purposes of scientific and research activities, sport facilities, campuses),
- modernisation and equipping health care centres and hospitals. This assistance shall be aimed at increasing the quality of health care rather than increasing capacity. All proposals must be in the context of a national health care or regional development strategies for health care and funds must be available to cover the operating costs of the new investments.

Complementarity with other measures or programmes

- Priority 3 of IROP “Local Development”: Measure 3.5 “Local social infrastructure”

- Priority 2 of IROP: Measure 2.2 “Equalising educational opportunities through scholarship programmes”
- SOP Human Resources Development, Measure 2.1 “Increasing access to education promoting lifelong learning”
- SOP Improvement of the Competitiveness of Enterprises, Measure 1.4 “Enhancement of cooperation between R&D and economy sectors”

Main Final Beneficiaries/ Ultimate Recipients

- higher education institutions (public and not-for-profit operating educational institutions),
- hospitals,
- administrative self-government territorial units.

Conformity with EU legislation concerning state aid

The assistance granted for projects within the measure will not include State Aid,.

Measure 1.4 Development of tourism and culture

Objectives of the Measure:

- Increase of the role of culture and tourism as factors stimulating social and economic development of regions, bearing in mind the need to ensure sustainable development and environmental protection.
- Better access to tourism and cultural attractions and objects.
- Lengthening of the tourism season, providing all-weather attractions.

The Support provided under the Measure:

Under this measure support will be provided for projects of regional and national significance concerning:

- construction and modernisation of public tourism infrastructure. These may include national parks (selection criteria are in the Programme Complement). All projects will have significant economic impact and will lead to sustainable employment,
- protection of cultural heritage as well as, in exceptional cases, construction, development and modernisation of cultural infrastructure and publicly provided sports and leisure/recreational facilities, provided it has significant economic impact on regional development and leads to sustainable employment,
- development of tourism and culture information for the foreign and home markets,
- preparation and implementation of regional programmes to promote tourism and culture, including promotional campaigns and events in Poland and

abroad, provided it has significant economic impact on regional development and leads to sustainable employment.

Complementarity with other measures or programmes:

- Priority 3 of IROP “Local Development”: Measures 3.1 “ Rural areas ” and 3.2. “Areas undergoing restructuring”, 3.4 “Micro enterprises”
- SOP “Restructuring and Modernisation of Food Sector and Rural Development”, Measure: “Rural renewal and the preservation and protection of cultural heritage”
- SOP “Improvement of the Competitiveness of Enterprises”

Main Final Beneficiaries/ Ultimate recipients

- voivodship, powiat and gmina self-government authorities,
- unions, associations and agreements of self-government authorities,
- regional tourism non-profit organisations,
- government administration in voivodship,
- other public institutions, including culture and tourist institutions from public finances sector organised by governmental or self-governmental units,
- non-governmental non profit organisations, associations, foundations as well as churches and confessional groups.

Conformity with EU legislation concerning state aid

The Measure will be notified to the European Commission.

Measure 1.5 Information Society Infrastructure

Objectives of the Measure

In the context of IROP implementation, particular significance in relation to the prospects for development and growth of competitiveness in the regions is attached to the elimination of disparities in the degree of provision of infrastructure and services concerned with internet access, telecommunications, conditions for the development of communication and e-services i.e.: e-government, e-security, e-health and e-education.

Main Objective:

Development of the regional and local infrastructure of the information society, and also the equalisation of the disproportions in the access to and use of the internet and other information technologies between the regions in Poland and the European Union, as well as in terms of the intra-regional settings, between the large centres and the rural areas and small towns.

Specific objectives of the measure:

- development of access to electronic communication infrastructure, in particular in rural and small towns

- use of ICT in the provision of public services
- development of public e-services meeting citizens specific needs
- use of ICT to enable more productive government (e-government) and help public administration to improve efficiency and productivity

The Support provided under the Measure

The support under this measure will concern the following activities:

- regional and local projects of development of the information network infrastructure, implemented in conjunction with undertakings of a national and regional nature, i.e. broadband access to internet including connection of public institutions,
- application of information society techniques in the work of public institutions – e.g. research and development units, health care, education - (without e-labour market), particular attention will be devoted to rural areas and the small towns,
- making use of information society technology for the activities of the regional and local self-government administration, taking into consideration interoperability between systems and information, together with privacy and security issues, in particular in order to modernise the information technology infrastructure, electronic circulation of documents, storage of document archives and development of electronic services for the population,
- provision of Internet access in public places - e.g. public libraries, cultural centres, labour offices - (without schools and pedagogical libraries), i.e. Public Internet Access Points (PIAPs),

IROP envisages wide range of activities in the field of information society infrastructure. However, the implementation of projects in the voivodships will depend on the level of development of ICT in given voivodship. Some voivodships will need to first of all in development of broadband networks. Other voivodships have relatively well developed backbone networks and thus they will mostly implement projects concerning applications.

Consistency with strategic documents and complementarity with other measures or programs

The crucial EU document on the information society – “e-Europe 2005 Action Plan” covering the period 2003-2005 - focuses on the exploitation of ICT to make public services more productive and accessible, to develop environment for e-business and to secure a broadband information infrastructure. Before the end of this Action Plan Poland will be a member of the EU. To fulfil requirements which are in the e-Europe Action Plan Poland shall focus on two complementary actions concerning infrastructure issues:

- modern on-line public services i.e.: e-government, e-education, e-health;
- broadband infrastructure.

These actions should advance the roll-out of infrastructure, stimulate the development of innovative content and applications.

The measure is consistent with “e-Europe 2005 Action Plan: An information society for all” in respect of priorities: broadband services, breaking digital divide, creating an environment for increasing Internet use, /creating services available on-line, creating digital content.

Projects within the Measure 1.5. will be implemented in accordance with the criteria of technological neutrality and open access included in *Guidelines on criteria and modalities of implementation of structural funds in support of electronic communication*, 28.07.2003 SEC (2003) 895.

Projects shall also be consistent with *Information society strategy for the Republic of Poland – ePoland 2004-2006* and voivodship's strategies of regional development.

Complementarity with other measures or programmes

The measure is complementary with other measures of IROP:

- Measure 1.3 Regional Social Infrastructure – purchase of equipment and outfit for conducting teaching, scientific research and development activities at the third level of education and for upgrading of regional health care system .
- Measure 1.4 Development of tourism and culture. The support will concern development cultural and tourism information systems.
- Measure 2.1 Development of competencies linked to the regional labour market needs and life long learning opportunities.

The measure is complementary with SOP Improvement of the Competitiveness of Enterprises:

- Measure 1.5 Development of a system for entrepreneurs' with access to on-line public information and services. The measure is focused on operations undertaken on central level and shall create national level services mainly for enterprises. This measure is focused on software development system serving for on-line services in national standard. Beneficiaries are: governmental administration institutions and also enterprises using on line public services. They will create or develop IT systems at the national level and covering the whole territory of Poland.

The creation of broadband networks from measure 1.5. of IROP will create access to services given on-line by administration. Implementing of these applications is supported by measure 1.5. of SOP “Improvement of the Competitiveness of Enterprises”.

More over creation of the PIAPs from measure 1.5. of IROP can create opportunity to citizens to use e-government applications from SOP “ICE” dedicated to them.

The IROP focuses also on IT systems security on behalf of regional and local institutions to secure data transmission between central and local institutions. SOP ICE guarantee of security of information provided by enterprises and central government institutions to citizens. IROP will make secure a data and information processed and stored in local and regional institutions IT systems.

The measure 1.5. of IROP also support regional or local e-services which gate complementary services to central government service (central IT systems) from measure 1.5 of SOP “ICE”.

- Measure 2.3 Improvement of competitiveness of SMEs through investments. The support will concern implementation of modern ITC for SMEs.

The measure is complementary with SOP Human Resources Development:

- Measure 1.1. Development and modernization of labour market instruments and institutions – activities to create and implement new effective tools and methods of work in the employment services, including the strengthening of inter-connections between the local and regional levels and the central administration and the application of modern communication and information technologies.
- Measure 2.1 Increasing access to education – promoting Life Long learning-creation of centers of distance-learning in small schools in villages and creation of Internet centers of multimedia information in school and pedagogical libraries – provisions with computers.
- Measure 2.2 Improving education quality and relevance to the labour market needs. The support will concern purchase of computers for primary, lower and upper secondary schools (including teachers training colleges), continuous education centers (cec) and practical training centers (ptc).
- Measure 2.4 Strengthening administrative capacity at the central and regional level - through training related technical and financial support. specific activities, apart from providing training for concerned institutions, will include: preparing competence schemes, training materials, providing training for selected target groups, i.e. civil services corps members. The training shall be possible with use a modern ICT.

Main Final Beneficiaries/ Ultimate Recipients

- voivodship, poviats and gmina self-government authorities,
- non profit institutions subordinated to self-government authorities, e.g. schools and institutions acting in education system, cultural, health care and labour market institutions, etc.
- unions, associations and agreements of self-government authorities,
- higher education institutions (public and not for profit operating educational institutions) and research and development centres,
- non-governmental non profit organisations, associations, foundations as well as churches and confessional groups,
- other public service institutions (e.g. police, fire brigades and other services),
- entities, chosen in a public tender procedure, providing public services commissioned by territorial self-government authorities.

Conformity with EU legislation concerning state aid

The assistance granted for projects within the measure will not include State Aid.

Measure 1.6 Public Transport Development in the Agglomerations

Objectives of the Measure

The objective of the measure is to improve the attractiveness of Poland as a place for foreign investment and to increase the development capacities of the regions through development of public transport systems in the largest agglomerations in Poland. This measure will help to

reduce congestion, improve the environment and improve transport safety. This measure is open to agglomerations above 500,000 inhabitants with well prepared integrated transport plans. The Warsaw and Upper Silesia agglomerations are the largest in Poland and projects in these agglomerations are expected to be financed.

The Support provided under the Measure

This measure will be implemented in large agglomerations with an up-to-date transport plan or master plan covering infrastructure development or renewal and the purchase of equipment . Development of integrated communication networks for example, the integration of rail-track transports (e.g. tramway, underground) with other forms of transportation (e.g. airports, bus services, private transport) will be favoured. Whatever the number and type of transport modes, the key selection criterion will be the existence of an up-to-date integrated transport plan.

Complementarity with other measures or programs

- Priority 1 of IROP: Measure 1.1 “Modernisation and Development of the Regional Transport System”
- Cohesion Fund
- SOP “Transport”

Main Final Beneficiaries/ Ultimate Recipients

- self-government authorities or organisational units acting on behalf of them,
- unions, associations and agreements of self-government authorities,
- entities providing public services commissioned by administrative self-government units
- entities, chosen in a public tender procedure, providing public services commissioned by territorial self-government authorities.

Conformity with EU legislation concerning state aid

The area of transport is covered by the legacy of the Accession Treaty concerning transitional arrangement for measures in the transport sector.

6.2. Priority 2 - Strengthening human resources development in the regions

Introduction

The competitiveness of the Polish regions in the European Union, apart from the availability and quality of technical infrastructure, information society development as well as assistance to regional research and development and educational systems is determined by a number of basic factors:

- the quality of skills and qualifications of the labour force,
- the degree of vocational mobility of the inhabitants.

People need to be enabled to adapt to the changing socio-economic conditions and to take full advantage of new employment opportunities.

The improvement of the overall education attainment level, the up-grading of occupational skills and the acquisition of vocational qualifications in accordance with the specific needs of the regional labour market as well as the promotion of innovation, knowledge transfer (through cooperation between educational and business institutions) and entrepreneurship promotion are therefore crucial for enhancing the regional human resources potential and increasing individual's chances on the labour market.

Increased competitive pressure causes the necessity of changing the employment structure and consequently the adaptation of qualifications of people in productive age. Authorities, institutions and other players at regional and local level will have an active role in this process. Therefore, their programming and implementation capacity needs to be enhanced.

Individuals concerned by these changes are pupils, students, adults, including employees of the companies and sectors being restructured, who will have to adapt their skills and qualifications in order to find new jobs, or possibly decide to launch their own business activities. The most significant challenge is the need for the gaining of new skills by a large group of farmers and their families.

Objectives of the priority

This Priority aims to create the conditions for making human resources development happen at regional and local level improving also planning and implementation capacities at these levels. Focus is put on worker's re-training before they get unemployed and support to people intending to leave agriculture. Implementation is closely linked to Priority 3 Local Development, in particular to investment in rural areas and areas of industrial restructuring.

Activities implemented under this priority will focus especially on disadvantaged areas (in particular rural areas and areas of industrial restructuring). In such areas there is a need to undertake public intervention adapted to the specific regional features and oriented at complementing national programmes of support for development of employment and education.

Public support is intended to reach the following objectives:

- to increase the flexibility and vocational mobility of human resources, including the increase of the level of knowledge and vocational skills of the inhabitants, which particularly concerns the inhabitants of disadvantaged areas (in particular rural areas and areas of industrial restructuring),
- to increase possibilities on the labour market for people working in agriculture sector as well as in companies and sectors being restructured through changing their vocational skills and qualifications,
- to increase the number of young persons from rural areas facing barriers in access to upper secondary education due to financial reasons in the total number of upper secondary schools pupils,
- to increase the number of students from disadvantaged areas, in particular rural areas and areas of industrial restructuring in the total number of higher education institutions students,
- to support the process of development of regional systems of innovations based on co-operation between the research & development sector and local firms in the regions,

- to promote entrepreneurship by providing comprehensive support for persons starting business activity.

The implementation of this priority will involve funds from the European Social Fund, funds from the state budget and funds from private sources.

Justification for the selection of the Priority

The changing social and economic conditions result in the need to prepare people to cope with new challenges. It is especially important to remove the sense of threat caused by the lack of skills necessary to perform new vocational tasks. The level of education of the adults, though rising, is still insufficient and participation in continuous education and training remains by far below international standards although continuing education has become a must in maintaining employability. Compared to other countries (UK 45%, Sweden 54%, Ireland 22%, Portugal 13%), in Poland the participation rate of adults in continuing training is rather low at the level of 13%. In order to increase adults' employability their vocational qualifications need to be improved and adjusted to labour market demands. Concurrently with the improvement of the regional infrastructure this will contribute to higher occupational and geographic mobility of the labour force.

Young people entering the labour market for the first time usually have solid educational background, but potential employers expect them also to have practical vocational experience. To solve that problem young people will be provided with apprenticeship programmes in order to learn the job's practicalities and develop skills relevant to future occupation. While the implementation of this priority targets upgrading skills and qualifications of youth and adult persons, the improvement of the education system in a lifelong learning perspective and the improvement of the effectiveness of labour market institutions will be covered by SOP HRD. Support for the development of vocational qualifications is also complementary with continuing vocational training activities under Measure 2.3 of the HRD SOP which contributes to upgrade skills and qualifications of management and employees of enterprises.

Another problem is the substantial disadvantage of children from rural areas and small towns in their education opportunities. The limited number of upper secondary schools in rural areas means that many pupils with difficult financial situation face barriers to continue their education at a higher stage of education. Too many children still attend basic vocational schools which do not prepare them for successful careers as these schools do not grant maturity certificates (*matura*) and in consequence do not allow their graduates to enter the higher education system. There is a noticeable difference in the students' achievements in rural and urban areas, and the gap is widening with progression through school career. Moreover significant costs of education in higher education institutions can prevent students from disadvantaged areas from reaching graduation.

In order to equalise educational opportunities for youth coming from disadvantaged areas scholarship programmes will be implemented under this priority. Additionally IROP measures under Priorities 1 and 3 aiming at improving the educational infrastructure, will contribute to levelling out educational opportunities between rural and urban areas, while the SOP HRD measures will aim at combating rural-urban educational disparities through e.g. improving pre-school education and setting up rural distance learning centres.

Another major issue affecting Polish society is that of over-employment in rural areas. Much of the farm labour is redundant, especially in the South. Estimates suggest that some 1 million people are subject to hidden unemployment. As a result of the EU integration process Polish agriculture sector will be restructured, and a further increase of unemployment is expected.

Therefore, the IROP foresees actions to help people envisaging to give up farming activities to find a new job outside agriculture sector through vocational guidance and training.

The activities planned under IROP involve support for those planning to start activities in sectors alternative to farming. Due to substantial regional differences these must be closely linked to the overall regional development strategies and also to the actions under Priority 3 of IROP aiming at creating employment in rural areas through infrastructure investments. The support to business start-ups includes also this target group.

Since the opening of the Polish economy to market economy, Poland is confronted with the problem of high concentration of sectors which have permanently lost their competitive edge. Such sectors include in particular: light industries, hard coal mining industry, metal and steel industry, chemistry industry, shipbuilding industry. There are also other branches unable to face the competitive conditions on the common European market. Restructuring processes will cause outflow of a significant number of people. This will be counteracted by vocational guidance and re-training of employees threatened by redundancies.

This support shall be closely linked to the actions planned under Priority 3 of IROP aiming at creating employment in areas of industrial decline through investments in infrastructure. The support to business start-ups includes also this target group.

The promotion of self-employment is one of the most important tasks for the coming years. Apart from administrative barriers and difficult access to financing for SMEs, another obstacle to the development of entrepreneurship is limited knowledge on how to set up and run a business. The comprehensive support for the creation of business start-ups, which aims to encourage entrepreneurship throughout the regions, comprises guidance, training, coaching and grants in the first months of activity to make business operational. Support to micro-enterprises under Measure 3.4 is complementary as it builds on existing enterprises strengthening their viability and employment creation capacity through investment support and advisory services. This intervention is linked with the actions planned under the Sectoral Operational Programme "Improvement of the Competitiveness of Enterprises". The SOP involves activities focusing on advisory and substantial investment support to SMEs.

The IROP will complement promotion of entrepreneurship by enhancing the innovation capacity of local and regional enterprises through co-operation between research and development sector and economy to enable the transfer of knowledge and faster technological progress. The lack of strong ties between enterprises and the R&D sphere is one of the causes that the potential of both spheres is not exploited for searching and introducing new solutions improving the competitive standing of the economy. The challenge consists of making human resources of the R&D sphere available to companies, thus increasing the entrepreneurs' capacity to introduce innovative solutions.

This measure is complementary to co-operation between higher education institutions and enterprises under the HRD SOP measure 2.3. which will facilitate the participation of management and employees in continuing higher education and training. It is also complementary to activities implemented under SOP "Improvement of the Competitiveness of Enterprises". The SOP supports activities aiming at improving the conditions for conducting business activity through the provision of adequate infrastructure as well as activities aiming at strengthening cooperation between the R&D sphere and the economy through investment projects.

Expected results and impact of the priority

PRIORITY 2: Strengthening the human resources development in regions	Value in the base year	Results of the period 2004-2006 (value for the end of 2006)
share of adults who changed their job within 6 months after programme completion in total number of project attendants	No data available	12%
share of students who successfully finished a school year among those who participated in project (male/female)	No data available	90% (50%;50%)
share of persons who found new employment outside the agricultural sector 6 months after programme completion in total number of the projects' attendants	No data available	12%
share of persons who found new employment outside industries under restructuring 6 months after programme completion in total number of the projects' attendants	No data available	18%
number of start-ups established in effect of project implementation (total, % in rural areas, % managed by women)	0 0	4 000 (50%;20%)
number of enterprises which began co-operating with higher education institutions and research and development units in effect of project implementation	0	800

Measure 2.1 Development of competencies linked to the regional Labour Market needs and Life Long Learning opportunities

Objectives of the measure:

Enhancement of the vocational mobility of the inhabitants and their capacity to adapt their skills and qualifications to the employment opportunities on the regional labour market under the conditions of European Union membership, improving the match of training and qualification needs of the individuals with the needs of the regional labour market through monitoring and information.

The support provided under the measure:

- training of adult persons to improve and adjust their vocational qualifications to regional labour market needs,
- training of adult persons in foreign languages and the use of information and communication technology,
- adult persons advisory services supporting the development of their professional career,
- apprenticeships – for pupils of upper secondary (general and vocational – technical and basic vocational) schools, to be arranged in enterprises to learn the job's practicalities and develop skills relevant to future occupation,
- apprenticeships – for students from higher education institutions, to be arranged in enterprises to learn the job's practicalities and develop skills relevant to future occupation,
- strengthening co-operation and organising methods for exchanging information between institutions engaged in monitoring regional labour market and education and training offers,
- preparation and dissemination of studies, evaluations and publications which analyse the regional labour market situation in the field of: recognising employers' future

expectations regarding qualifications and skills of the employees, education and training activities carried out in the region, changes occurring in SME sector, the impact of promotion on local and regional labour market as well as economic and social cohesion of regions in order to provide orientation and guidance to institutions and individuals.

Complementarity with other measures or programmes:

- Measure 1.2 „Perspective for youth” of SOP “Human Resources Development”,
- Measure 1.3 „Counter-acting and combating long- term unemployment” of SOP “Human Resources Development”,
- Measure 1.1 „ Development and modernization of labour market instruments and institutions” of SOP “Human Resources Development”,
- Measure 2.1 „Increasing access to education – promoting Life Long learning” of SOP “Human Resources Development”,
- Measure 2.2 „Improving education quality and relevance to the labour market needs” of SOP “Human Resources Development”,
- Measure 2.3 „Development of personnel of modern economy” of SOP “Human Resources Development”,
- Measure 1.4 “Agricultural advisory and extension service support” of SOP “Restructuring and Modernisation of Food Sector and Rural Development”
- Measure 2.4 „Diversification of agriculture and agriculture-related activities to provide multiple activities or alternative incomes” of SOP „Restructuring and Modernisation of Food Sector and Rural Development”.

Final Beneficiaries:

Voivodship self-government/VLO-Voivodship Labour Office.

Target Groups/Ultimate beneficiaries:

- pupils of the upper secondary (general and vocational – technical and basic vocational) schools (above gymnasium level),
- students of higher education institutions,
- adult persons wishing to improve their professional qualifications,
- farmers and household members to be trained for diversification of activities outside, but close to agriculture,
- institutions engaged in monitoring regional labour market and education and training offers.

Conformity with EU legislation concerning state aid:

The assistance granted for projects within the measure will not include State Aid.

Measure 2.2 Equalising educational opportunities through scholarship programmes

Objectives of the measures:

Increasing access to upper secondary education for students from rural areas and access to tertiary education for students from disadvantaged areas (in particular rural areas and areas of industrial restructuring).

The support provided under the measure:

Two types of scholarships will be supported:

- scholarships enabling young people from rural areas to continue education in upper secondary school, covering the costs of e.g. boarding and learning materials,
- scholarships for students in higher education institutions.

Complementarity with other measures or programs:

- Priority 1 of IROP: Measure 1.3 „Regional social infrastructure”,
- Priority 3 of IROP: Measure 3.5 „Local social infrastructure”,
- Measure 2.1 „Increasing access to education – promoting Life Long learning” of SOP “Human Resources Development”.

Final Beneficiaries:

Voivodship self-government

Target Groups/Ultimate beneficiaries:

- young persons from rural areas who face barriers in access to education on upper secondary level ending up with matura exam due to financial reasons,
- students from disadvantaged areas (in particular rural areas and areas of industrial restructuring) who face barriers in access to tertiary education due to financial reasons.

Conformity with EU legislation concerning state aid:

The assistance granted for projects within the measure will not include State Aid.

Measure 2.3 Vocational reorientation of persons leaving agriculture sector

Objectives of the measures:

The general purpose of this measure is to enable people to adapt to the changing socio-economic conditions and to take full advantage of new employment opportunities in rural areas, through creating conditions for people active in agriculture to start professional activity outside agriculture sector.

The specific objective is the provision of skills enabling farmers to become employed again and to perform new vocations during the restructuring process of Polish agriculture sector.

The support provided under the measure:

a)

- training and courses targeted at up-grading skills and qualifying for a new job,
- job placement,
- vocational information,
- career advice services concerning the choice of a new profession and achievement of new qualifications and skills, including individual action plans.

b)

- employment subsidy

Particular attention will be given to projects linked to activities creating employment in rural areas through ERDF (IROP Measures 3.1).

Complementarity with other measures or programs:

- Priority 3 of IROP: Measure 3.1 „Rural areas ”,
- Priority 3 of IROP: Measure 3.4 „Micro – enterprises”,
- Priority 2 of IROP: Measure 2.5 „ Entrepreneurship Promotion”.

Final Beneficiaries:

Voivodship self-government/VLO-Voivodship Labour Office.

Target Groups/Ultimate beneficiaries:

Farmers and household members working in agriculture intending to give up their activities.

Conformity with EU legislation concerning state aid:

Support provided under a) does not include State Aid.

Assistance for employment subsidy under b) will be granted for entrepreneurs, with the purpose of subsidising the creation of new job-places. The assistance will be granted in accordance with the Commission Regulation No 2240/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State Aid for employment.

Measure 2.4 Vocational reorientation of the workforce affected with restructuring processes

Objectives of the measures:

The general purpose of this measure is to enable people to adapt to changing socio-economic conditions and to take full advantage of new employment opportunities through adapting the skills of the workforce threatened by redundancies.

The specific objective is to change the vocational qualifications enabling people working in industries and traditional sectors undergoing restructuring and other individuals threatened by unemployment due to restructuring processes to become re-employed in a new profession.

The support provided under the measure:

a)

- training and courses targeted at up-grading skills and qualifying for a new job,
- job placement,
- vocational information,
- career advice services concerning the choice of a new profession and achievement of new qualifications and skills, including individual action plans.

b)

- employment subsidy in a new job

Particular attention will be given to projects linked to activities creating employment in areas of industrial restructuring through ERDF (IROP Measure 3.2).

Complementarity with other measures or programs:

- Priority 3 of IROP: Measure 3.2 „Areas undergoing restructuring”,
- Priority 3 of IROP: Measure 3.4 „Micro – enterprises”,
- Priority 2 of IROP: Measure 2.5 „Entrepreneurship Promotion”,
- Measure 1.3 „Counter –acting and combating long term unemployment” of SOP “Human Resources Development”.

Final Beneficiaries:

Voivodship self-government/VLO-Voivodship Labour Office.

Target Groups/Ultimate beneficiaries:

People working in industries and sectors undergoing restructuring and other individuals threatened by unemployment due to restructuring process. The support will focus especially on:

- employees of sectors and industries, located on areas defined under IROP measure 3.2., such as light industry, chemistry industry, sugar industry, employees of the health sector; employees of industries undergoing restructuring covered by governmental restructuring programmes are also targeted if a need for support is recognised;
- employees who were given redundancy notice due to company situation,
- employees of a company which declared bankruptcy or is in the process of liquidation.

The enterprises benefiting from support under b) will be companies outside industries under restructuring.

Conformity with EU legislation concerning state aid:

Support provided under a) does not include State Aid.

Assistance for employment subsidy under b) will be granted for entrepreneurs, with the purpose of subsidising the creation of new job-places. The assistance will be granted in accordance with the Commission Regulation No 2240/2002 of 12 December 2002 on the application of Articles 87 and 88 of the EC Treaty to State Aid for employment.

Measure 2.5 Entrepreneurship promotion

Objectives of the measures:

Creating an appropriate framework and positive attitude towards taking up an entrepreneurial activity and increasing employment by creating local businesses operating in non-traditional sectors.

The support provided under the measure:

1. providing comprehensive support for persons intending to start their own business activity – and also after the set up of the activity – in the form of:
 - group and individual advisory services
 - individual coacher's assistance,
 - training to improve vocational qualifications and provide know-how on running a business including coaching as a part of a training,
 - individual bridging allowances after set up of a business,
 - material support directly linked to the set-up of a business to make it operational.
2. dissemination of good practices and methods of development

Complementarity with other measures or programs:

- Priority 3 of IROP: Measure 3.4 "Micro-enterprises",
- SOP "Human Resources Development" Measure 2.3 "Development of personnel of modern economy",
- SOP "Improvement of the Competitiveness of Enterprises" Measure 2.1 "Improvement of competitiveness of SMEs through advice".

Final Beneficiaries:

Voivodship self – government

Target Groups/Ultimate beneficiaries:

Persons of all ages, gender and professional background, but the priority will be to encourage entrepreneurship among:

- those seeking to leave employment within the agricultural sector,

- those working in industries and traditional sectors undergoing restructuring and others threatened by unemployment,
- young people up to 25 year who are not registered as unemployed

Conformity with EU legislation concerning state aid:

Assistance for projects implemented within the Measure will be granted in accordance with the Commission Regulation No 69/2001 of 12 January 2001 on the application of articles 87 and 88 of the EC Treaty to the de minimis aid.

Measure 2. 6 Regional Innovation Strategies and transfer of knowledge

Objectives of the measures:

Strengthening the human potential for innovation in the regions (within the confines of Regional Innovation Strategies or the voivodship development strategy), through the enhancement of co-operation between research & development sector and economy to improve the competitiveness of the enterprises operating on the regional and local market.

The support provided under the measure:

- developing and adapting the Regional Innovation Strategies(RIS),
- set-up of network for transfer of innovation, between research & development sector, enterprises and other players at the regional and local levels,
- development of an information and communication system (incl. data collection and data base) as well as information on training and education activities in support of transfer of innovations,
- knowledge transfer between research & development sector and enterprises through internships in enterprises* for a mutual benefit. Support will be provided to:
 - a) higher education institutions graduates,
 - b) employees of research and development sector.
- scholarships for the best graduates from higher education institutions continuing their studies at doctorate level, in the field of science, technology and other development clusters defined within the framework of the RISs or the voivodship development strategy.

These activities will take into account the work of the RIS NAC project of the 5th R&D Framework Programme (Regional Innovation Strategy in Newly Associated Countries).

Complementarity with other measures or programs:

- SOP “Improvement of the Competitiveness of Enterprises“ Measure 1.3 “Creation of favourable conditions for enterprises development”,

* Aid granted within this type of projects aims at projects enabling the knowledge transfer between the R&D sector and the enterprises. The transfer will consist of the information exchange and promotion of the idea of RIS. Consequently, the aid will cover the projects listed above, and will not finance the enterprise’s activities.

- SOP “Improvement of the Competitiveness of Enterprises“ Measure 1.4 “Strengthening of co –operation between the R&D sphere and the economy”,
- SOP “Human Resources Development“ Measure 2.3 “Development of personnel of modern economy”.

Final Beneficiaries:

Voivodship self-government

Target Groups/Ulimate beneficiaries:

- higher education institutions,
- research institutes, scientific institutes, branch R&D units, laboratories, centres of excellence and other institutions supporting innovation development in the regions,
- participants of doctoral study programmes,
- employees of research and development sector and higher education institutions graduates taking up internships at appropriate levels within participating enterprises,
- self-government authorities and organisations acting on behalf of them,
- enterprises (chiefly small and medium sized), including research and development units in enterprises, will not receive direct support, but will benefit indirectly from their participation in information exchange and network activities.

Conformity with EU legislation concerning state aid:

The assistance granted for projects within the Measure will not include State Aid.

6.3. Priority 3 - Local Development

Introduction

Significant areas of Poland are threatened with permanent peripheral status and marginalization. These are reflected in long-term unemployment, social problems, a low level of education of the population, low disposable income and a large share of income drawn from the social assistance sources. The main types of areas facing exposure to the threat of marginalization consist of the following:

- rural areas;
- areas under restructuring (including areas of concentration of traditional industries);
- socially and economically degraded towns and urban districts, post-industrial or post-military sites.

The identification of the most important areas of this type will be done on the national level on the basis of selected criteria.

Objectives /Strategy

The goal of this priority consists of social and economic activation of the areas exposed to the threat of marginalization, in order to enable them to be included in the development process of the country and of Europe. The specific objectives include the following:

- Supporting local and regional centres which have the capacity to act as significant economic centres supporting economic and social activity in the surrounding area;
- exploitation of the opportunities offered by investment in infrastructure, by support to human resources and investments implemented under the IROP Priorities 1 and 2, as well as measures implemented in the framework of the Sectoral Operational Programmes;
- enhancement of opportunities for employment, education and health care services for the local communities by means of improving the condition of the infrastructure;
- creation of friendly environment for development of micro-enterprises;
- exploitation of the potential capacity of tourism, sport, cultural, historical and nature resources, through development and improvement of tourist and recreational infrastructure and culture facilities;
- increase of the attractiveness of the rural areas for local and outside investors;
- improvement of the quality of the environment;
- prevention of social problems.

The implementation of this priority will be by means of a set of activities addressed to centres in rural areas, areas undergoing restructuring and degraded towns and urban districts and lands deserted by industrial and military bases complementing the measures building the foundations for the competitiveness of the regional economies under the IROP Priorities 1 and 2.

The activation of areas now in a poor social and economic situation will promote the participation and co-operation of local partners, consisting of both the public authorities and social organisations and associations, economic associations, non-government organisations in the resolving of development related problems.

This priority will be implemented by means of projects involving the local communities and enabling them to develop institutional and informal forms of co-operation and dialogue concerning the problems of development. These projects will cover urban and urban district areas, rural areas, or other areas with common social and economic features. The projects co-financed from the ERDF resources will concern the following:

- in rural areas and small towns:
 - transport infrastructure (e.g. gmina and powiat roads between and inside economic centres as well as linking with the wider regional and national communication networks) and local infrastructure for environment protection;
 - tourist, cultural infrastructure and natural heritage attractions and sites together with the accompanying services;
 - integrated land development operations

- in areas undergoing restructuring (including areas of existing traditional industries):
 - infrastructure connected with enhancing the diversification of economic activities in areas undergoing restructuring (gmina and powiat roads, local environment protection infrastructure, local tourist and cultural infrastructure including industrial and natural heritage);
 - complex development of land with utilities and the development of enterprise incubators, supporting of the development of regional research and development centres;
- in areas of urban revitalisation of towns, urban districts, sites deserted by former industrial use or former military bases:
 - conversion of the land use functions, development and modernisation of the local infrastructure as well as tourist and cultural infrastructure, including cultural heritage protection;
- development of micro-enterprises:
 - development of micro-enterprises mainly outside traditional economic activity in rural areas, in the areas undergoing restructuring and in the areas of urban revitalisation of towns, urban districts, areas deserted by former industrial use or former military bases;
- local social infrastructure:
 - development of local educational infrastructure by constructing, modernising and providing necessary equipment for schools and educational institutions, especially in reference to balancing opportunities between rural and urban areas.
 - social infrastructure; access to basic services in the domain of health care and social services (health care centres) and providing necessary equipment,
 - publicly provided local sport and recreational facilities.

Expected Impact

The measure of the success of the local development projects will consist of the increase of the participation of the inhabitants in the activities undertaken in the regions for the benefit of development. (See: Annex II)

Funds within the scope of implementation of IROP allocated for the financing of this priority will come from the ERDF fund, the state budget, and the budgets of the territorial self-government authorities and also from the private sources.

Measure 3.1 Rural areas

Objectives of the Measure

In view of the short programming period assistance should, in the first instance, be targeted and selective. Assistance will be granted to public infrastructure projects which stimulate local initiative, investment and occupational mobility.

The focus of ERDF co-financed investment will be on a limited number of local sites of not more than 20,000 population which serve as centres for the development and restructuring of

rural areas and on investment activities based on comprehensive local development plans, thus increasing employment outside the agricultural sector.

Transport and communication links with, between and inside economic centres will be eligible for ERDF support as well as links between centres and the wider regional and national communication networks. In the case of environmental, flood prevention, water supply measures, as a general rule, projects may be eligible provided that they derive from comprehensive local development plans, cost not more than € 1 million and are located in centres of up to 20,000 population. (Larger environmental projects costing between € 1 and € 10 million will be assisted under IROP Priority 1).

Tourism, sport and cultural heritage projects may be eligible provided that they derive from comprehensive local development plans and they are above the maximum threshold to be supported by the Food and Rural Development OP. In order to ensure the complementarity with the measures to restructure rural areas undertaken under Food and Rural Development OP and investments supported under Priority 1 of the IROP, ERDF co-financed assistance for those types of investment will be channelled towards centres with not less than 5000 inhabitants; smaller centres could be considered eligible provided that they function as development poles within the regions.

The Support provided under the Measure

Support will concern the following areas:

- water supply, sewage systems and waste water treatment,
- local road infrastructure (gmina and powiat roads),
- waste management in small towns and villages, closure of illegal waste dumps,
- integrated development of land to be used for investment purposes,
- alternative power generation by creating local systems of renewable energy sources (e.g. solar, wind, water, geothermal, organic/biomass), greater energy efficiency in public buildings,
- air protection (including modernisation and development of public-owned district heating systems in order to reduce emissions and improve energy efficiency),
- local flood protection infrastructure,
- local tourism and economically sustainable cultural infrastructure (including improvement and revitalisation of sites of cultural and natural heritage) with particular potential to support local economic growth,
- tourism and culture information systems

Complementarity with other measures or programs

- Priority 1 of IROP: “Modernisation and development of regional transport system”
- Priority 1 of IROP: Measure 1.2 “Environmental Protection Infrastructure”
- Priority 2 of IROP: Measure 2.3 “Vocational reorientation of persons leaving agriculture sector”

- SOP “Restructuring and Modernisation of Food Sector and Rural Development”
- SOP “Improvement of Competitiveness of Enterprises”
- INTERREG III

Main Final Beneficiaries/ Ultimate Recipients

- gmina and powiat self-government authorities,
- unions, organisations and associations of the self-government authorities,
- entities providing public services commissioned by administrative territorial units
- entities, chosen in a public tender procedure, providing public services commissioned by administrative territorial units,
- non-governmental non profit organisations including associations, foundations as well as churches and confessional groups,
- other public organisations.

Conformity with EU legislation concerning state aid

Projects supporting:

- the area of gaining renewable energy,
- air protection,
- local tourism and cultural infrastructure,
- tourism and cultural information systems

will be notified to the European Commission.

Land development will involve only land in public ownership and the assistance granted will not include state aid. The assistance granted for projects supporting other areas covered by the Measure will not include State Aid.

Measure 3.2 Areas undergoing restructuring

Objectives of the Measure

Social and economic recovery of areas undergoing restructuring identified on the basis of the following criteria: high level of unemployment, high share of industrial employment in total employment, significant fall in industrial employment in the recent years.

Project eligible for co-financing from ERDF under the measure will derive from local development plans.

The Support provided under the Measure

Support will concern the following areas:

- water provision/waste water management infrastructure,

- local road infrastructure (gmina and powiat roads),
- waste management: increased recycling, improved waste minimisation targets, ending of uncontrolled illegal waste dumps,
- alternative power generation by creating local systems of renewable energy sources (e.g. solar, wind, water, geothermal, organic/biomass), greater energy efficiency in public buildings,
- air protection (including modernisation and development of public-owned district heating systems in order to reduce emissions and improve energy efficiency),
- integrated development of land to be used for investment purposes,
- enterprises incubators,
- tourism and economically sustainable cultural infrastructure (including improvement and revitalisation of objects of cultural and natural heritage) with particular potential to support local economic growth,

Complementarity with other measures or programmes

- Priority 2 of IROP: Measure 2.4 “Vocational reorientation of persons affected with restructuring processes”
- Priority 3 of IROP: Measures 3.1 “Rural areas” and 3.3 “Degraded urban, post-industrial and post-military sites” and 3.4 “Micro-enterprises”.

Main Final Beneficiaries/ Ultimate Recipients

- gmina and powiat self-government authorities,
- associations, unions, agreements of territorial self government units,
- entities providing public services commissioned by administrative territorial units,
- entities, chosen in a public tender procedure, providing public services commissioned by administrative territorial units,
- non-governmental non profit organisations, including associations, foundations as well as churches and confessional groups,
- other public organisations and legal persons running public benefit activity.

Conformity with EU legislation concerning state aid

Projects supporting:

- the area of gaining renewable energy,
- air protection,
- tourism and cultural infrastructure

will be notified to the European Commission.

In case of entrepreneurs operating in area of enterprise incubators, State aid may be granted but the support will be provided in accordance with Regulation on de minimis rule.

Land reclamation and redevelopment will involve only land in public ownership and the assistance granted will not include state aid.

The assistance granted for projects supporting other areas covered by the Measure will not include State Aid.

Measure 3.3 Degraded urban, post-industrial and post-military sites

Objectives of the Measure

Development of degraded urban, post-industrial and post-military sites' new functions, restoring degraded objects' and areas' lost socio-economic functions.

The objective of town's or urban quarter's revitalisation is to stimulate its economic and social life, including increase of its tourism potential by way of providing support to comprehensive projects concerning modernisation or construction of infrastructure. Implementation of town's or urban quarter's revitalisation projects will influence the potential for future Community Initiative URBAN. Measures shall also support activities to combat social problems. Concentration in problem areas will counteract the phenomenon of social exclusion of certain groups, which, as the result of a difficult situation on the labour market, have found themselves confined to the margins of social life.

The objective of investments in post-military sites and area revitalisation projects is to change the functions of these sites and areas and adapt them to economic, social, educational, healthcare, cultural, tourism activities with a supplementary housing function.

Projects implemented under the measure will derive from programmes for the revitalisation of urban/ post-industrial/ post-military sites.

The Support provided under The Measure

Renewal will consist of supporting comprehensive technical measures, such as the following:

- renovation works,
- rehabilitation of the built up structures,
- improvement of road and pedestrian traffic routes,
- improve the aesthetics of public spaces, including also the renovation of properties having architectural value and historical significance that are situated in the revitalised sites.

Support under the measure will also concern modernisation, development or construction of basic infrastructure in the revitalised sites such as:

- water provision/waste water management infrastructure meeting current legal requirements,
- local road infrastructure ,
- comprehensive development of land for subsequent new construction projects,
- enterprises incubators,

- tourism and economically sustainable cultural infrastructure (including improvement and revitalisation of objects of cultural and natural heritage) with particular potential to support local economic growth,

Complementarity with other measures or programs

- SOP Human Resources Development
- SOP Improvement of the Competitiveness of Enterprises
- Community Initiative EQUAL.
- Priority 3 of IROP: Measures: 3.1. “Rural areas”, 3.2. “Areas undergoing restructuring” and 3.4 “Micro enterprises”

Main Final Beneficiaries/ Ultimate Recipients

- self-government units,
- entities providing public services commissioned by administrative self-government authorities,
- entities, chosen in a public tender procedure, providing public services commissioned by administrative self-government authorities,
- associations, unions, agreements of territorial self government units,
- non-governmental non profit organisations, associations, foundations as well as churches and confessional groups, (public and not-for-profit institutions) and legal persons running public benefit activity.

Conformity with EU legislation concerning state aid:

Projects supporting tourism and cultural infrastructure will be notified to the European Commission.

In case of entrepreneurs operating in area of enterprise incubators, State aid may be granted but the support will be provided in accordance with Regulation on de minimis rule.

Land reclamation and redevelopment will involve only land in public ownership and the assistance granted will not include state aid.

The assistance granted for projects supporting other areas covered by the Measure will not include State Aid.

Measure 3.4 Micro-enterprises

Objectives of the Measure:

The objective of the measure is to enhance business enterprise by providing support for the start-up businesses.

The Support provided under the Measure:

Only micro-enterprises with less than 10 employees (calculated as a yearly average) will be able to get assistance under this measure. The support will be provided for newly established

micro-enterprises, i.e. those operating for no more than 3 years. Companies employing 10 or more persons will be supported under the SOP “Improvement of Competitiveness of the Enterprises”. Support under the measure will be given for the already existing companies. In the case of Measure 2.5 “Promotion of entrepreneurship” comprehensive support will be offered for individuals intending to set up companies and then provided to these persons during the first stage of operating of their companies. Project promoters in the case of measure 2.5 are not the individuals themselves but the institutions providing this kind of assistance to existing and potential entrepreneurs.

Under the Measure 3.4 “Micro-enterprises” assistance will be granted in the form of financial support for the development of micro-enterprises (co-financing of advisory services as well as investments) particularly those outside traditional industry.

Complementarity with other measures or programs:

- SOP “Improvement of the Competitiveness of Enterprises”,
- SOP “Restructuring and modernisation of food sector and rural development”
- Measure 2.5 of IROP, i.e. “Promotion of entrepreneurship”.

Final Beneficiary:

- Voivodship self – government

Ultimate beneficiaries/ Target groups:

- micro-enterprises registered on the territory of the given voivodship

Conformity with EU legislation concerning state aid:

Assistance will be granted in accordance with the Commission Regulation No 70/2001 on the application of articles 87 and 88 of the EC Treaty to State Aid to SMEs.

The overview sheet containing detailed information about the measure will be sent to the European Commission according to the requirements of Directory General Competition.

Measure 3.5 Local social infrastructure

Objectives of the Measure:

The main aim of the Measure is to improve of the quality of social infrastructure including local education and health care infrastructure specifically in the context of rural – urban divide.

The Support provided under the Measure:

- construction, development, modernisation and equipment of local educational infrastructure (kindergartens, schools and institutions acting within the educational system),
in particular:

- teaching rooms, including rooms for practical teaching of the job in upper secondary schools ,
- libraries,
- sport facilities,
- laboratories,
- improvement of educational equipment (without purchase of computers) in kindergartens, schools and institutions acting within the educational system,
- construction, modernisation and equipment of accommodation for pupils and students (boarding schools, pupils', students hostels)
- modernisation and equipment of basic local health care infrastructure (health care centres). This assistance shall be aimed at increasing the quality of health care rather than increasing capacity. Funds must be assured to cover the operating costs of the new investments.
- publicly provided sport and recreational facilities

Complementarity with other measures or programs:

- Priority 1 of IROP: Measure 1.3 "Regional Social Infrastructure"
- Priority 2 of IROP: Measure 2.2 "Equalising educational opportunities through scholarships programmes"
- Priority 2 of SOP "Human Resources Development": Measure 2.2 "Improving education quality and relevance to the labour market needs"

Final Beneficiaries/ Ultimate beneficiaries:

- territorial self-governments,
- kindergartens, schools and educational institutions (publicly supported and operating not for profit),
- health care centres,
- non-governmental, non-profit organisations, associations, foundations as well as churches and confessional groups and other public institutions.

Conformity with EU legislation concerning state aid:

The assistance granted for projects within the measure will not include State Aid.

6.4 Priority 4 Technical Assistance

Technical assistance for the Integrated Regional Operational Programme complements the support provided under the Operating Programme "Technical Assistance 2004-2006" and, pursuant to Commission Regulation (EC) No 1145/2003 on the eligibility of expenditure on measures co-financed from structural funds, will be targeted at reinforcing the IROP implementation system and supporting the processes of IROP management, monitoring,

controlling, and implementation progress assessment, as well as at information and promotion of the assistance available there under.

According to the analysis of the situation of institutions involved in IROP implementation, they require support in terms of appropriate qualified staff, training, office equipment (especially computers), organisation and servicing of Monitoring Committee, Monitoring Subcommittees and Steering Committees as well as support for information and promotion activities. Because IROP is complex in terms of its scope and the number of potential beneficiaries, information and publicity measures will be of particular importance.

The technical assistance support will be particularly important in the first years of Polish membership in the European Union. The first period of structural funds implementation will be a real challenge for national and regional administration as well as for Final Beneficiaries dealing with the IROP Priority II and the Measure 3.4. Micro-enterprises.

Assistance recipients:

Assistance recipients will consist of the following:

- IROP Managing Authority at the Ministry of the Economy, Labour, and Social Policy;
- Marshal Offices;
- Voivodship Offices;
- Final Beneficiaries dealing with IROP Priority II and Measure 3.4.

Within the IROP technical assistance priority the above mentioned institutions will receive assistance in fulfilling their obligations related to IROP implementation.

The technical assistance will be granted in accordance to the 11 (2) of European Commission Regulation No 1145/2003 that specifies the expenditure categories limited by the technical assistance's percentage share in the aggregate share of the EU structural fund contribution in the IROP total budget, and under Rule 11 (3) of the same Regulation that specifies the expenditure categories not subject to such limits.

Within the IROP Technical Assistance Priority three measures have been formed:

Measure 4.1 – Support for IROP implementation process – limited expenditure

The aim of this measure is to support:

- organisation of project appraisal and selection (panels of experts, Steering Committees);
- organisation and servicing the IROP Monitoring Committee and Monitoring Subcommittees;
- collecting and analysing of data for implementing and monitoring of the programme;
- expenditure relating to on-the-spot checks of operations;
- financing human resources engaged exclusively in fulfilment of strictly specified tasks of IROP management, implementation, monitoring and controlling.

Measure 4.2 - Support for IROP implementation process – non - limited expenditure

Subject to assistance will consist of projects concerning the following:

- training of personnel of the Managing Authority, Intermediate Bodies, Marshal Offices and Final Beneficiaries dealing with IROP Priority II and Measure 3.4.;
- equipment of implementing and managing entities (especially with computers); especially concerning procurement and installation of office equipment required for IROP management and monitoring;
- preparation of research, tests, and analytical assessments, and enlistment of expert assistance for improvement of implementation system;
- evaluation.

Measure 4.3 - Information and promotion activities

The following activities will be assisted:

- preparation and distribution of current official IROP documents, brochures, and folders that inform the public and potential beneficiaries of the programme together with manuals providing guidance on using the IROP assistance package;
- financing web-pages that inform prospective beneficiaries of the IROP assistance package's current availability and the results of the programme;
- financing other activities resulting from IROP Communication Action Plan (organisation of seminars and other information activities with participation of socio-economic partners, creation of IROP information contact points);
- organisation of training for beneficiaries.

Implementation of the measures described above will be co-funded by the state budget and regional self-government budgets.

Technical assistance will constitute an instrument to support both IROP management at the national level and implementation of the regional components in individual Voivodships.

According to the adopted IROP implementation system, the institution responsible for implementation of the Technical Assistance will be the IROP Managing Authority situated in the Ministry of the Economy, Labour and Social Policy. In the Managing Authority there will be a Commission which will approve Technical Assistance projects.

7. Financing

7.1 Financial Plan

An allocation of € 4083.9 million in public expenditure is provided for the implementation of the Integrated Regional Operational Programme (IROP) in the years 2004-2006, out of which € 2,968.5 million will be from the resources of the structural funds (ERDF, ESF) (Table 24). In addition, € 1,115.5 million will be allocated for the national public contribution. The share of Community co-funding will be 72 % of total public funds.

Besides the public funds, a private financial contribution to IROP implementation is foreseen. Assistance targeted at enterprises will be subject to competition principles. The total amount of the necessary private contribution is estimated at € 146.2 million.

In the years of 2004-2006 the EU funding in Poland will be divided by individual structural funds according to the following approximate breakdown:

- ERDF – 85.2 % (€ 2,530.0 million),
- ESF – 14.8% (€ 438.5 million),

The structural funds' contribution will be divided by individual priorities implementing the IROP according to the following breakdown:

(Show the following in a table)

Priority I. Development and modernisation of the infrastructure to enhance the competitiveness of regions – 59,4 % of the entire funding.

Priority II. Strengthening the human resources development in regions– 14.8 % of the entire funding.

Priority III. Local development – 24.5 % of the entire funding.

Technical assistance – 1.3% of the entire funding.

The IROP funding distribution between voivodships follows the algorithm used in the preparation of the National Regional Development Strategy and in the Support Programme for the years of 2000-2003 taking into account updated statistical data. The algorithm is a resultant of the following basic criteria:

Criterion 1

Poland as a whole meets the current eligibility criteria as an area covered by the EU structural funds Objective 1. Population will be the dominant criterion in allocating assistance per region. Therefore, 80% of the funding has been distributed pro rata according to each voivodship's population.

Criterion 2

Because of significant differentiation in GDP per capita between voivodships, 10% of the funding will be distributed pro rata according to population in those voivodships, where the average GDP per capita was below 80% of the average GDP per capita countrywide in the years of 1997-1999. This concerns the following voivodships: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, and Warmińsko-mazurskie.

Criterion 3

Because of high unemployment rate and the threat of permanent marginalisation of significant social groups in many poviats, 10% of the assistance will be addressed to those poviats where the average unemployment rate exceeded 150% of the national average in the years of 1999-2001. There are 72 such poviats with a total population of 5,327,400 persons.

The effect of such a model of funding distribution is presented in Table 23. Funding cannot be distributed by voivodships in the case of one priority and one measure in the programme. These are:

- Measure 1.6.: „Public transport development in the agglomerations”, due to its implementation in the largest agglomerations in Poland
- Technical assistance, due to the need to assure efficient control and management.

Table 23. Indicative distribution of structural funds contribution between voivodships in the years 2004 -2006

	Structural Funds		
	Million Euro	%	per capita Poland=100
Dolnośląskie	223,6	8.10	105.37
Kujawsko-Pomorskie	142,0	5.14	94.65
Lubelskie	201,0	7.28	126.17
Lubuskie	82,5	2.99	112.75
Łódzkie	157,1	5.69	83.44
Małopolskie	185,2	6.71	80.00
Mazowieckie	299,9	10.86	82.67
Opolskie	76,8	2.78	99.33
Podkarpackie	192,0	6.96	126.17
Podlaskie	110,0	3.98	126.17
Pomorskie	159,6	5.78	101.35
Śląskie	279,8	10.14	80.99
Świętokrzyskie	133,1	4.82	141.06
Warmińsko-Mazurskie	182,0	6.59	173.49
Wielkopolskie	196,0	7.10	81.52
Zachodniopomorskie	140,0	5.07	112.96
TOTAL	2 760.7	100	100.00
Public transport development in agglomerations	167.9		
Technical assistance	39.9		
POLAND	2968.5		

The above method of distributing the funding between voivodships enables a higher rate of assistance in less affluent areas, for which adaptation to conditions prevailing in the European Single Market will be the most difficult. The distribution of the structural funds' assistance between voivodships presented in the table below is however of only indicative in nature as the recipients of assistance will be required to meet a number of requirements to draw down the funding available.

The indicative allocation by region and by measure is not fixed for the life of the programme and may be redistributed to ensure that the absorption of the funds is maximised.

The re-allocation of the indicative amounts per measure will be effected as follows:

- firstly – at the stage of preparation of specific sub-programmes and projects, by way of initial evaluation thereof;
- secondly – at the stage of project implementation.

Therefore, the initial amounts for "weaker" and "more difficult" regions and districts will be reassessed in the light of experience about regions' absorption capacity.

This solution is coherent with the structural policy objectives set out in the National Development Plan in general, and for regional development policy in particular.

Table 24. Indicative allocation of funds for the Integrated Regional Operational Programme (IROP) per priorities and years (com

Priority	Public					
	Total	Community contribution			National p	
		Total	ERDF	ESF	Total	State b
Poland Total		2 968 470 769				
Priority 1 Development and modernization of the infrastructure used to enhance the competitiveness of regions	2 462 020 369	1 762 567 948	1 762 567 948		699 452 421	69 8
2004	575 245 223	411 819 680	411 819 680		163 425 543	16 3
2005	821 900 326	588 401 178	588 401 178		233 499 148	23 3
2006	1 064 874 820	762 347 090	762 347 090		302 527 730	30 2
Priority 2 Strengthening the regions' human resources development	598 655 517	438 469 535		438 469 535	160 185 982	160 1
2004	139 900 268	102 466 283		102 466 283	37 433 985	37 4
2005	199 812 075	146 347 115		146 347 115	53 464 960	53 4
2006	258 943 174	189 656 137		189 656 137	69 287 037	69 2
Priority 3 Local development	970 031 043	727 523 283	727 523 283		242 507 760	108 3
2004	226 645 374	169 984 032	169 984 032		56 661 342	25 3
2005	323 827 180	242 870 385	242 870 385		80 956 795	36 9
2006	419 558 489	314 668 866	314 668 866		104 889 623	46 8
Priority 4 Technical assistance	53 220 003	39 910 003	39 910 003		13 310 000	7 8
2004	12 434 723	9 324 874	9 324 874		3 109 849	1 8
2005	17 766 528	13 323 227	13 323 227		4 443 301	2 0
2006	23 018 752	17 261 902	17 261 902		5 756 850	3 3
IROP total	4 083 926 932	2 968 470 769	2 530 001 234	438 469 535	1 115 456 163	346 1
2004	954 225 588	693 594 869	591 128 586	102 466 283	260 630 719	80 8
2005	1 363 306 109	990 941 905	844 594 790	146 347 115	372 364 204	115 3
2006	1 766 395 235	1 283 933 995	1 094 277 858	189 656 137	482 461 240	149 7

On the basis of the Council Regulation 1260/1999 article 29, the contribution from the Funds shall be calculated in relation to the total (local and community) for the IROP.

IROP – final version of 10.02.2004 taking into account results of negotiations between Poland and the European Commission

8. Implementation System

8.1. General Comments

Management and implementation of the Integrated Regional Operational Programme is subject to Council Regulation 1260/1999 of 21 June 1999 laying down the general provisions on the Structural Funds and Commission Regulation No 438/2001 of March 2001 laying down detailed rules for the implementation of Council Regulation No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds.

This Chapter contains arrangements with respect to the system of implementation of the Integrated Regional Operational Programme pursuant to requirements set forth in Article 18.2 (d) of Council Regulation No 1260/1999 of June 21, 1999. General information concerning the Community Support Framework (CSF) Managing Authority, Paying Authority, operational programmes Managing Authorities and relations between them are specified in the Community Support Frameworks.

8.2. Competencies of bodies involved

The Polish Government, represented by the Council of Ministers, has overall responsibility for the commitments embodied in the Community Support Framework and its correct and efficient implementation. In particular it will ensure the availability and system of access to the financial and other resources necessary to effect the measures described in the Integrated Regional Operational Programme.

8.2.1. IROP Managing Authority

Pursuant to Article 34 of Council Regulation No 1260/1999 a Managing Authority is responsible for the efficient and correct management and implementation of the operational programme.

The Managing Authority of the Integrated Regional Operational Programme is the Ministry of the Economy, Labour and Social Policy - Department for Implementation of Regional Development Programmes (DRR).

Under the supervision of the IROP Managing Authority, in each of the 16 voivodships (NUTS II), operate Intermediate Bodies (Voivodship Offices), to which the functions described in Chapter 8.2.2. have been delegated, and Marshal Offices, which have the competencies described in Chapter 8.2.3.

Pursuant to Council Regulation No 1260/1999 the IROP Managing Authority's main responsibilities include the following:

- the efficiency and correctness of management and implementation of the Programme and the specific requirements of Article 34,
- chairmanship and provision of the secretariat to IROP Monitoring Committee (Article 35.2),
- preparation of the Programme Complement, submitting it for approval to the IROP Monitoring Committee and forwarding it to the European Commission,

- implementing management and control systems to verify the delivery of the products and services co-financed and the reality of expenditure claimed, in line with Article 4 of Commission Regulation 438/2001,
- preventing and detecting irregularities and preparing irregularity reports for the Paying Authority,
- assuring compliance with Community policies (pursuant to Article 12) of all operations carried out within the IROP, as well as assurance of adherence to the rules being in force in the Community as regards concluding public procurement contracts, and forwarding relevant information (Article 34.1 g).
- ensuring that EU funded expenditure is properly accounted for,
- submitting payment claims to the Paying Authority for the Structural Funds in compliance with any instructions which this authority may issue,
- collection of reliable financial and statistical information on implementation, for the IROP monitoring and evaluation and forwarding thereof to Community Support Framework Managing Authority, and to the European Commission (Article 34.1 (a)),
- preparation of annual and final reports on IROP implementation to be submitted to the IROP Monitoring Committee for approval, and subsequently forwarding thereof to the CSF Managing Authority, Paying Authority and European Commission (Article 34.1 (c)),
- initiating, in co-operation with National Evaluation Unit, research on effectiveness of the instruments and implementation systems employed ,
- organisation, in co-operation with the European Commission and the CSF Managing Authority, of evaluation of IROP after completion of the implementation thereof (ex-post evaluation) (Articles 42 and 43),
- assurance of preparation and implementation of the Communication Action Plan for Information and Publicity with respect to IROP (Article 34.1 (h)),
- operating the IROP Technical Assistance account in which funds for IROP Technical Assistance are collected,
 - ensuring that all institutions involved in the management of IROP have, from the start of eligibility of Structural Funds expenditure, sufficient technical and administrative capacity to ensure full compliance with their designated responsibilities,
 - ensuring that there exists a complete and sufficient audit trail of all expenditures and co-financing in all relevant bodies, including Final Beneficiaries, Intermediate Bodies and the Managing Authority itself, according to Article 7 of Regulation 438/2001.

The IROP Managing Authority shall, at the request of the Monitoring Committee or on its own initiative, adjust the Programme Complement, without changing the total amount of the contribution from the Funds granted to the priority concerned nor its specific targets. The European Commission shall be informed of any such decision, within a month after the approval thereof by the IROP Monitoring Committee (Article 34.3).

8.2.2. Intermediate Body

In each of 16 voivodships (NUTS II) operates an Intermediate Body, as laid down in Article 2 of European Commission Regulation No 438/2001. The tasks of the Intermediate Body have been entrusted to the Voivodship Office. Its main tasks are as follows:

- signing the Agreements Granting Structural Funding with Final Beneficiaries,
- chairmanship and provision of the secretariat to the IROP Monitoring Subcommittee,
- transferring data provided by Final Beneficiaries into the Monitoring and Control Information System (SIMIK),
- assuring compliance with Community policies (pursuant to Article 12) of all operations carried out within the IROP in the voivodship as well as assurance of adherence to the rules being in force in the Community as regards concluding public procurement contracts, and forwarding relevant information,
- preparation, in co-operation with the Marshal Office, of annual reports on the implementation of IROP in the voivodship concerned, and, after the approval of the IROP Monitoring Subcommittee, forwarding these to the IROP Managing Authority,
- preparation, in co-operation with the Marshal Office, of a final report on IROP implementation in the voivodship concerned and, after approval by the respective Monitoring Subcommittee, forwarding this to the IROP Managing Authority,
- operating IROP accounts at the voivodship level in which funds from ERDF and ESF for IROP are held.

8.2.3. Voivodship self-government/ Marshal Office¹⁴ – body participating in IROP management in voivodship

In the IROP implementation, the Marshal Office is responsible i.a. for:

- receiving applications for potential IROP projects (financed under ERDF) in voivodship,
- chairmanship of and provision of secretariat to the Regional Steering Committee,
- forwarding the ranking of eligible projects, recommended by the Regional Steering Committee, to the Intermediate Body, on the basis of which the Agreement Granting Structural Funding for the Project between the Intermediate Body and the Final Beneficiaries is signed,
- forwarding the approved annual Framework Plans in relation with the Priority II and Measure 3.4, prepared by the Final Beneficiaries to the Intermediate Body (the Voivodship Office),
- forwarding information on selection of the Final Beneficiaries for the IROP Priority II and the Measure 3.4. Micro-enterprises, to the Intermediate Body, on the basis thereof the Agreement Granting Structural Funding for the Measure

¹⁴ The Marshal Office is an office providing administrative service to the Voivodship Board and to its head - the Marshal. The Voivodship Board is the executive body of self-government at the voivodship level. It is responsible i.a. for creating the regional development policy in the voivodship.

between the Intermediate Body and the above mentioned Final Beneficiaries is signed

- preparation of applications for amendments of the Programme Complement and the operational programme, then transferring them to the IROP Monitoring Subcommittee, which, after positive recommendation, forwards them to the IROP Monitoring Committee to be accepted,
- informing the general public about the EU co-financing of projects implemented under the IROP (i.a. dissemination of application forms),
- drawing up reports on information and promotion (part of annual report).

8.2.4. Regional Steering Committee

In the case of IROP there are 16 Steering Committees for IROP implementation (one per each voivodship). Each Regional Steering Committee is appointed by the Voivodship Board*. The Marshal chairs the RSC and ensures support for its work. The Voivod holds the function of his deputy. The Regional Steering Committee consists of:

- representatives of Marshal Office,
- representatives of Intermediate Body,
- representatives of the IROP Managing Authority,
- representatives of lead ministries in respect of their tasks implemented under the IROP,
- representatives of respective self-governments: poviats (districts) and gminas (communities),
- representatives of socio-economic partners from a given voivodship.

The Regional Steering Committee tasks include, i.a.:

- review and recommendation to the Voivodship Board, of the ranking of projects eligible for support under structural funds (ERDF excluding IROP Measure 3.4. Micro-enterprises)
- appraisal of projects applying for structural funding under ESF, if the final beneficiary is a Project Promoter itself
- giving input about the possible amendments to the content of IROP in the voivodship concerned to the IROP Monitoring Sub-committee or IROP Monitoring Committee;
- recommendations to the Voivodship Board of the Framework Plans drawn up by the Final Beneficiaries dealing with IROP Priority II and the Measure 3.4. Micro-enterprises.

For the purposes of correct appraisal of submitted applications the Steering Committee may appoint working groups, seek opinions of independent experts or services of other institutions. Detailed composition and work mode for the Regional Steering Committee shall be determined by the Marshal Office.

*Exclusively for the Measure 1.6. Public transport development in agglomerations, the Minister of Economy, Labour and Social Policy will appoint the National Steering Committee together with establishing procedures of its operation as well as its tasks.

8.2.5. Panel of Experts

The Panel of Experts (PE) constitutes an assisting body to the IROP Managing Authority for the measures co-financed from ERDF means under IROP Priority I and III (excluding the Measure 3.4. Micro-enterprises).

It is approved by the IROP Managing Authority. The PE is responsible for:

- content-related appraisal of projects,
- preparation of the ranking of the eligible projects and submission thereof to the secretariat of the Regional Steering Committee (in the case of the Measure 1.6. Public transport development in agglomerations, to its Steering Committee)

The procedures for the PE's operation shall be established by the IROP Managing Authority.

8.2.6. Commission for Project Appraisal

The Commission for Project Appraisal is a panel of the experts assisting the Final Beneficiaries for measures co-financed from ESF resources under the IROP Priority II and the Measure 3.4. Micro-enterprises. The Commission is appointed by the Director of the institution acting as Final Beneficiary for IROP Priority II or the Measure 3.4. Micro-enterprises.

The Commission for Project Appraisal is responsible in particular for:

- carrying out the content-related and financial appraisal of projects from the Project Promoters applying for funding under ESF and ERDF (Measure 3.4. Micro-enterprises, only),
- preparation of the ranking of the eligible projects and submission thereof to the Director of the institution acting as Final Beneficiary for IROP Priority II or the Measure 3.4. Micro-enterprises.

8.2.7. Final Beneficiaries

8.2.7.1. Final Beneficiaries in the context of implementation of projects co-financed from ERDF

For the **projects** co-financed from ERDF under the IROP, the Final Beneficiary is a party of the agreement signed with the Intermediate Body, granting ERDF funding for the project.

The Final Beneficiary is responsible for:

- project implementation and their completion within the agreed time period,
- organisation of tenders whenever required by Community or national law and signing of contracts of project implementation,
- monitoring and reporting on project implementation according to the guidelines included in the programme, programme complement, implementation procedures and contractual provisions.

Exclusively for the IROP **Measure 3.4 Micro-enterprises** co-financed from ERDF, the Final Beneficiaries are Voivodship self-governments. In particular the Final Beneficiaries are responsible for:

- ensuring accessibility and reception of applications from potential Project Promoters,
- formal appraisal of submitted applications (control of consistence with requirements included in the IROP, its Complement and in the agreement signed between the Final Beneficiary and the Intermediate Body),

- project selection,
- signing agreements with Project Promoters,
- monitoring of individual projects implementation, including preparation of periodical monitoring reports on project implementation and submitting them to the Intermediate Body and forwarding them to the Marshal Office,
- preparation of the annual monitoring report on project implementation including the impact assessment and submitting it to the Intermediate Body and Marshal Office,
- ensuring that the general public is informed about the EU co-financing of the projects implemented under IROP in line with Commission Regulation 1159/2000.

8.2.7.2. Final Beneficiaries in the context of management of projects co-financed from ESF

Final beneficiary

The tasks of Final Beneficiaries include i.a.:

- organisation of calls for proposal
- appraisal and selection of projects, following advice of the Commission for Project Appraisal
- signing the agreement with Project Promoter
- monitoring of project implementation, including preparation of periodical reports on project implementation together with submission thereof to the Intermediate Body, and forwarding to the Marshal Office;
- yearly preparation of a Framework Plan
- submission of the Framework Plan for recommendation of the Regional Steering Committee and afterwards forwarding it together with the recommendation to the Voivodship Board
- signing the agreement with the Intermediate Body
- preparation of the annual report on measure implementation including impact assessment of projects implemented under the measure and submission thereof to the Intermediate Body and Marshal Office

8.2.8. Project Promoter in the context of management of projects co-financed from ESF and from ERDF under Measure 3.4 Micro-enterprises

The Project Promoter is the ultimate recipient of the funding who implements the project. The Project Promoter observes all the rules stipulated in the agreement granting structural funding and the rules laid down by the relevant Regulations. One of its obligations is to provide the relevant authorities with data necessary to carry out their monitoring functions. It will also ensure access to the required documentation.

* * *

All the bodies involved are obliged to fulfil their functions in accordance with the procedures, described in the manual of procedures for the IROP implementation.

Moreover, each body is obliged to keep the documents for which it is responsible for at least 3 years following the date of last payment transferred from the European Commission, in line with Article 38.6 of Regulation 1260/99.

8.3. Programme Complement

Under Article 18.3 of the Council Regulation No 1260/1999 the Programme Complement, prepared by the IROP Managing Authority in consultation with Marshal Offices, in respect of each measure comprises the following:

- description of measures for implementation of respective IROP priorities,
- key objectives
- project selection criteria (Article 35.3),
- composition of bodies involved in projects selection,
- monitoring indicators (Article 36),
- ex-ante evaluation of measures (Article 41.3),
- types of Final Beneficiaries for each measure,
- nature of eligible assistance, e.g. grant, loan, training course, definition of respective maximum value of assistance and volume
- indicative financial plan, including the maximum percentage contribution by fund and by measure,
- description of the financial flows,
- arrangements for providing national co-financing,
- regulations related to information and publicity,
- arrangements between the European Commission and the Member State on computerised exchange of data

8.4. Selection of projects under IROP

8.4.1. Selection of projects under ERDF (infrastructure projects – IROP Priority I and III, excluding Measures 1.6. Public transport development in agglomerations and 3.4. Micro-enterprises)

In the process of implementation of projects co-financed from ERDF the following actors are involved:

- Final Beneficiary¹⁵
- Marshal Office
- Regional Steering Committee – as an advisory body to the Voivodship Board
- Panel of Experts
- Intermediate Body

¹⁵ The status of final beneficiary under IROP implementation within ERDF is described in Chapter 8.2.7.1.

Stage I: Project appraisal

Projects are submitted to the Marshal Office. The Marshal Office appraises the projects in respect of formal criteria (the list of units responsible thereof will be enclosed to the manual of procedures for the IROP implementation) and then forwards them to the Panel of Experts. Next, the Panel of Experts shall appraise the projects in respect of content-related criteria. During the content-related appraisal, the projects are scored according to the criteria approved by the IROP Monitoring Committee, enclosed to the IROP Programme Complement. As a result of the appraisal, a list of appraised projects together with a ranking of eligible projects are drawn up.

Stage II: Project selection

The Regional Steering Committee may move projects in the ranking taking into account their coherence with and significance for the regional development strategy. Afterwards the RSC forwards the final version of the ranking of projects selected to the Voivodship Board. The Voivodship Board passes a resolution on projects selection on the basis of the ranking. Finally, the Voivodship Board forwards its resolution together with the selected projects to the Intermediate Body.

Stage III: Agreement Granting Structural Funding for Projects under IROP Priority I and III (excluding Measure 3.4. Micro-enterprises)

As a consequence of the stage II, the Intermediate Body signs the Agreement Granting Structural Funding for Project under IROP Priority I and III (excluding Measure 3.4. Micro-enterprises) with Final Beneficiary. The Final Beneficiary commissions the project execution through a tender procedure in accordance with the Act on Public Procurement.

Detailed procedures concerning the implementation will be described in the manual of procedures for the IROP implementation.

8.4.2. Selection of projects under ERDF (Measure 1.6. Public transport development in agglomerations)*

In the process of implementation of projects co-financed from ERDF the following actors are involved:

- Final Beneficiary
- IROP Managing Authority
- National Steering Committee for the Measure 1.6 – as an advisory body to the Minister of Economy, Labour and Social Policy
- Panel of Experts
- Intermediate Body

Stage I: Project appraisal

Projects are submitted to the IROP Managing Authority. The IROP Managing Authority appraises the projects in respect of formal criteria and then forwards them to the Panel of Experts.

Next, the Panel of Experts shall appraise the projects in respect of content-related criteria. During the content-related appraisal, the projects are scored according to the criteria approved by the IROP Monitoring Committee, enclosed to the IROP Programme Complement. As a result of the appraisal, a list of appraised projects together with a ranking of eligible projects is drawn up and forwarded to the National Steering Committee for the Measure 1.6.

Stage II: Project selection

The National Steering Committee recommends the Minister of Economy, Labour and Social Policy to accept the ranking. Next, the IROP Managing Authority informs the Voivodship Board about the selected projects and forwards the selected projects to the Intermediate Body.

Stage III: Agreement Granting Structural Funding for Projects under IROP Measure 1.6. Public transport development in agglomerations

As a consequence of the stage II, the Intermediate Body signs the Agreement Granting Structural Funding for Project under IROP Measure 1.6. Public transport development in agglomerations with Final Beneficiary. The Final Beneficiary commissions the project execution through a tender procedure in accordance with the Act on Public Procurement.

*In the case of major projects, provisions of Council Regulation No 1260/1999 will be applied.

8.4.3. Selection of projects under ERDF (Measure 3.4 Micro-enterprises)

In the process of implementation of projects co-financed from ERDF the following actors are involved:

- Project Promoter
- Final Beneficiary (Voivodship self – government)
- Commission for Project Appraisal
- Intermediate Body

Stage I: Approval of Framework Plan

In the first year of the IROP implementation the institution chosen to be the Final Beneficiary for the Measure 3.4. Micro-enterprises, submits an annual Framework Plan, hereinafter referred to as: 'The Plan', to the Regional Steering Committee for recommendation. The Plan includes undertakings planned for implementation within the measure in the region in given year, and their budget. The RSC forwards the Plan, together with its recommendation, to the Voivodship Board. The Voivodship Board's resolution on the Plan approval is forwarded to the Intermediate Body.

In the following years the Final Beneficiary prepares the Plan according to the same procedure.

Stage II: Agreement Granting Structural Funding for IROP Measure 3.4. Micro-enterprises

The Agreement Granting Structural Funding for IROP Measure 3.4. Micro-enterprises is signed by the Intermediate Body and the Final Beneficiary.

Once signed the agreement is valid for the whole time of the IROP implementation. However, transfer of ERDF financial means in each of the following years is done on condition that the Final Beneficiary submits an annual report of the measure implementation and the approved Plan for the following year.

Stage III: Project appraisal and selection

After signing the agreement, the Final Beneficiary organises a call for projects and carries out selection thereof in accordance with the Plan. First, the projects are verified in respect of formal requirements by a unit for formal appraisal in the Final Beneficiary. Next, the Commission for Projects Appraisal (CPA), set up within the Final Beneficiary's structure,

verifies the projects on content-related basis. A report on the appraisal and the ranking of projects resulting thereof is signed by CPA's Chairman. The Regional Steering Committee shall be informed about projects selected as the result of the appraisal.

Stage IV: Agreement Granting Structural Funding for Projects under IROP Measure 3.4. Micro-enterprises.

As a consequence of the stage III, the Final Beneficiary signs the Agreement Granting Structural Funding for Project under IROP Measure 3.4. Micro-enterprises with a Project Promoter. On basis thereof the project execution may be commenced.

8.4.4. Selection of projects under ESF (IROP Priority II- Human Resources Development):

In the process of implementation of projects co-financed from ESF, the following actors are involved:

- Project Promoter
- Final Beneficiary (Voivodship Labour Office, Voivodship self-government)
- Intermediate Body

Stage I: Approval of Framework Plan

In the first year of the IROP implementation every Final Beneficiary submits an annual Framework Plan*, hereinafter referred to as: Plan, to the Regional Steering Committee for recommendation. The Plan includes undertakings planned for implementation within the measure in the region in given year, and their budget. The RSC forwards the Plan, together with its recommendation, to the Voivodship Board. The Voivodship Board's resolution on the Plan approval is forwarded to the Intermediate Body.

In the following years the Final Beneficiary prepares the Plan according to the same procedure.

*In cases when the Final Beneficiary is a Project Promoter itself, it should enclose the application form to the Plan. The appraisal and approval of the documents mentioned take place simultaneously.

Stage II: Agreement Granting Structural Funding for the Measure under IROP Priority II

The Agreement Granting Structural Funding for the Measure under IROP Priority II is signed by the Intermediate Body and the Final Beneficiary.

Once signed the Agreement is valid for the whole time of the IROP implementation. However, transfer of ESF financial means in each of the following years is done on condition that the Final Beneficiary submits an annual report of the measure implementation and the approved Plan for the following year.

Stage III: Project appraisal and selection

After signing the Agreement, the Final Beneficiary organises a call for projects and carries out selection thereof in accordance with the Plan. First, the projects are verified in respect of formal requirements by a unit for formal appraisal of the Final Beneficiary. Next, the Commission for Projects Appraisal, set up within the Final Beneficiary's structure, verifies the projects on content-related basis. It prepares the report on the appraisal and the ranking of projects. On this basis the Final Beneficiary selects the projects. The RSC shall be informed about projects selected as the result of the appraisal.

Stage IV: Agreement Granting Structural Funding for Project under IROP Priority II

As a consequence of the stage III, the Final Beneficiary signs the Agreement Granting Structural Funding for Projects under IROP Priority II with a Project Promoter. On the basis thereof the project execution may be commenced.

8.4.5. Selection of projects under IROP Technical Assistance

In the process of implementation of projects financed under IROP Technical Assistance the following Beneficiaries may apply:

- IROP Managing Authority
- Intermediate Bodies
- Marshal Offices
- Final Beneficiaries of the IROP in voivodships (Voivodship Labour Offices and Voivodship self-government).

Stage I: Selection of the projects.

The above mentioned Beneficiaries prepare projects in the form of *Application Form for Technical Assistance*.

The applications are submitted to the Technical Assistance Approval Commission (TAAC), appointed by the IROP Managing Authority and placed within the structure thereof. The TAAC comprises representatives of IROP Managing Authority, Paying Authority, Marshal Offices, Intermediate Bodies.

Stage II: Approval of the projects

The secretariat of the TAAC accepts and registers the applications. Each application has to undergo a formal and content-related appraisal of conformity with IROP Complement provisions. Then the applications are considered by the TAAC.

In the event of incomplete documentation or irregularities, applications will be returned to applicants for appropriate correction. The TAAC may also decide to correct the application in cooperation with the applicant during the session. Approved projects are forwarded to the Intermediate Body or to the IROP Managing Authority when the Intermediate Body or the IROP Managing Authority are Beneficiaries.

Stage III: Agreement Granting Funding for Project under IROP Technical Assistance

As the consequence of stage II, the Intermediate Body signs the Agreement Granting Funding for Project under IROP Technical Assistance with the Final Beneficiary and Marshal Offices. If the approved project covers the Intermediate Body's or the IROP Managing Authority's needs, it is forwarded to the IROP MA, which signs the agreement.

8.5. Financial management and control

The system for financial management and control of structural funds meets the requirements laid down in Council Regulation No 1260/1999 and EU Regulation No 438/2001 of 2 March 2001 and No 448/2001 of 2 March 2001. The division of functions in respect of financial management and control of bodies involved in IROP implementation was executed in accordance with the various tasks, that have been performed by those bodies up-to-now. *(See: Charts 20. and 20a. Financial management and control of expenditures from structural funds under IROP – simplified model and Charts 21.1, 21.2 and 21.3 Institutional Diagram of the Integrated Regional Operational Programme).*

Financial management, including the control of co-financing, is a shared responsibility of the Managing Authority and of the Paying Authority.

The Member State is responsible for submitting to the EC the description of the management and control systems according to Article 5 and 13 of EU Regulation 438/2001.

The Paying Authority is responsible for preparation of guidelines for financial management, financial control as well as supervision and control of their implementation by the IROP Managing Authority and Intermediate Bodies in programme management (Voivodship Offices). Management and control systems shall comply with Article 4 of Regulation 438. These solutions shall ensure that structural funds resources will be delivered to the Final Beneficiaries and Project Promoters as soon as possible (Article 32.1 of Council Regulation No 1260/99) and in any case within the specified deadlines.

The IROP Managing Authority is, in the context of financial management and control arrangements, specifically responsible for ensuring that all bodies taking part in IROP management and implementation maintain either a separate accounting system for the community resources or an adequate accounting code for all financial transactions relating to the assistance.

The IROP Managing Authority ensures that relevant bodies are fully informed about obligations related to financial management of expenses co-financed from Structural Funds. Furthermore, they guarantee the independence of financial management units from general operational programme management.

The Intermediate Body ensures that all the Final Beneficiaries within the territory of the voivodship, are fully informed about their duties in respect of financial management of expenditures co-financed from structural funds. The IROP Managing Authority, however, retains overall responsibility.

All institutions involved in IROP financial management and control (the Paying Authority, the IROP Managing Authority, Intermediate Bodies and Final Beneficiaries – for IROP Priority II and Measure 3.4) ensure that each payment application submitted to that institution is verified, certified and signed by two people.

8.5.1. Monitoring and Control Units

National monitoring and eligibility control unit operate independently from IROP Managing Authority. These units are established in the Ministry of Economy, Labour and Social Policy (for ERDF and ESF). Their operation will not in any way release the IROP Managing Authority from its responsibilities according to the Regulations.

The units are responsible for the following within each Structural Fund:

- monitoring and control of the application of eligibility rules for expenditures of the funds, and associated co-financing,

- drawing up regular reports for national management purposes.

8.5.2. Paying Authority

The Paying Authority's functions for all structural funds are performed by the Ministry of Finance in accordance with Regulation No 438/2001. The tasks of the Paying Authority are in particular:

- servicing accounts on which resources from the Structural Funds are kept;
- certifying to the European Commission that expenditure declarations are made on the basis of reliable and verified documents by drawing up and submitting to the European Commission certified statements of expenditure in accordance with Article 9 of Regulation 438/2001;
- ensure that the final beneficiary is paid as soon as possible;
- drawing up and submitting to the European Commission statements of expenditure in accordance with Article 9 of Regulation 438/2001. The independence of the certifying body/person must be ensured;
- submitting to the European Commission – not later than by 30 April of each year – an annual forecast for the current and next year;
- gathering, via selected financial monitoring channels, statistical and financial information for CSF Managing Authority and CSF National Monitoring Committee;
- set up and supervision over efficiency of work of monitoring data base (SIMIK);
- check whether the IROP Managing Authority and intermediate bodies have fulfilled specific requirements according to Article 9 of Regulation 438/2001;
- verifying Structural Funds statements of expenditure submitted by the IROP Managing Authority;
- preparation of reports on financial irregularities on the basis of the reports prepared by the IROP Managing Authority;
- correcting irregularities and recovering unduly paid amounts;
- keeping a record of recovery orders (a debtors' ledger) in line with Article 8 of Commission Regulation 438/2001 and ensure that recovered amounts (and interest) are repaid to the Commission either by deducting the amounts concerned from the next statement of expenditure or by effecting a refund to the Community.

8.5.3. Sample checks on operations

Treasury Control Offices in each Voivodship carry out checks pursuant to Articles 10 and 11 of Commission Regulation No. 438/2001 of 2 March 2001 and include:

- verification of effectiveness of the management and control systems,
- control of 5% of total eligible expenditure of each assistance based on a representative sample of the operations approved,

- ensure an appropriate separation of tasks as between such checks and implementation or payment procedures concerning operations.

The sample checks on operations are carried out by 16 Treasury Control Offices. They report to the Bureau for International Treasury Relations in the Ministry of Finance which is responsible for co-ordinating the controls, including the selection of representative sample, uniformed control methodology, gathering the results and transferring them to appropriate national authorities and to the European Commission. This Bureau reports to the General Inspector of Treasury Control and will co-operate with OLAF and other Member States in order to safeguard EU interests.

8.5.4. Declaration on winding-up of assistance in respect of IROP

The declaration on winding-up of the assistance in the context of article 38 of Regulation 1260/1999 as implemented in Article 15 of Commission Regulation No 438/2001 is the responsibility of the General Inspector of Treasury Control. This body is independent from IROP Managing Authority, Paying Authority and Intermediate Bodies. The General Inspector of Treasury Control executes this task through an organizational unit in the Ministry of Finance called the *Body for issuing declarations on winding-up of the assistance*. The declaration is issued on the basis of an examination of management and control systems, and the results of controls on 5% of total eligible expenditures (as well as the follow-up on these checks and when necessary, a further sample of checks of transactions).

8.5.5. Internal Audit

Internal Audit Units have been established in all institutions participating in the IROP implementation (the Paying Authority, CSF Managing Authority, the IROP Managing Authority and Intermediate Bodies). An Internal Audit Unit is not engaged in any operational activity of a public finance sector institution. The Unit acts as advisory body for the management of the bodies while assuring it the appropriate functioning of the financial management and control system (*see Charts 20 and 20a*).

Moreover, the Final Beneficiary, dealing with the IROP Priority II and the Measure 3.4. Micro-enterprises, will be obliged to establish internal audit unit by the agreement signed with the Intermediate Body.

The General Inspector of Internal Audit will fulfil the tasks resulting from the Public Finance Act in the field of financial control and internal audit. In particular the General Inspector of Internal Audit is directly responsible to the Minister of Finance for financial control activities and internal audit co-ordination as a whole.

8.5.6. Irregularity Reporting

The IROP Managing Authority has the overall responsibility for preventing and detecting irregularities and prepares irregularity reports for the Paying Authority. The Paying Authority will prepare reports on irregularities and will have overall responsibility for financial corrections and recovery of amounts incorrectly paid. The institutions will comply with Regulation 1681/1994 and Article 8 of Regulation 438/2001 and Articles 38 and 39 of Regulation 1260/1999.

8.5.7. Data gathering, processing and transfer

Article 18 of Commission Regulation 438/2001 requires that a computer based data transfer and monitoring system be established for the exchange, where possible, of data required to fulfil the management, monitoring and evaluation requirements in respect of Structural Funds assistance.

The data transfer and monitoring system for Structural Funds and the Cohesion Fund in Poland is known as SIMIK. This system allows access to information on both financial and physical progress of projects and programmes. The subsystem for the European Social Fund, (PEFS), complements the main system and captures more detailed information at the level of ultimate recipients for the specific needs of the ESF. This system will be functional and accessible to all concerned as of the start of registration of approved projects.

The database must operate on the basis of a separate and secure system of data transfer and information access ensuring maximum protection against unauthorized access and misuse of data. Because certification to the European Commission and authorization of payments by the Paying Authority plays a key role in the monitoring system of EU funds, the data base is administered by the Ministry of Finance (who functions as operator). Data from SIMIK is transferred to the European Commission by the Ministry of Finance.

Access to *IT system* is available to a defined, limited number of users. The lowest link in the IT monitoring system is made by:

- the Final Beneficiaries dealing with the IROP Priority II and the Measure 3.4. Micro-enterprises,
- Intermediate Bodies for the remaining projects,
- Marshal Offices.

SIMIK or a system of equivalent functionality will be operational at both central and regional level from the start of eligible expenditure. In the run-up to its implementation future system users will be provided necessary training.

8.5.8. Financial flows from structural funds

8.5.8.1. Key elements of the system common for ERDF and ESF under IROP

1. The European Commission issues a separate decision on the approval of assistance and allocation of means from structural funds (Article 31 part 1 of Council Regulation No 1260/1999) from each Operational Programme.

2. This decision is followed by disbursement of the payment on account of 10 per cent and 6 per cent of funds allocated to the given assistance – in favour of the Paying Authority. The payment on account may be split to basically not more than 2 budget years – depending on the availability of budget funds (Article 32 part 2 of Council Regulation No 1260/1999).

The payment on account is transferred to the account of the Paying Authority, opened respectively for each fund classified into the group of structural funds. The Paying Authority also manages another group of accounts, with funds for implementation of operational programmes.

Following the division of funds into specific programmes at the Paying Authority, funds from the respective „fund” account are transferred to the corresponding „programme” account. The second level of accounts is essential due to the obligation of the Paying Authority to present settlement to the European Commission also in division to specific operational programmes. The time of making operations on these accounts shall be limited to the essential minimum. The accounts shall be opened on the basis of the bank account agreement concluded between the Paying Authority and the National Bank of Poland, under Article 30d of the Public Finance Law.

Issues relating to payment disbursement between the EU and the Paying Authority are regulated in Article 32 of Council Regulation No 1260/1999, whereas the mode of certification of expenditures – in Article 9 of Commission Regulation No 438/2001.

Settlements with the European Commission will be done in Euro, under the provisions of Article 33 of Council Regulation No 1260/1999.

Considering the differences between projects financed from ERDF, ESF and IROP technical assistance, three separate ways of financial management have been prepared.

8.5.8.2. Resources from ERDF (excluding Measure 3.4. Micro-enterprises)

1. Based on the agreement signed with the IROP Managing Authority, provided for in Article 30b part 3 of the Public Finance Law, the Paying Authority transfers funds from the "programme" accounts of the Paying Authority respectively to accounts opened at the Intermediate Bodies level, at the District Branches of the National Bank of Poland. All accounts shall be separated from the accounts used for processing funds from the state budget. Legal basis for operating separate accounts for accumulation of resources from structural funds is provided in Article 30d of the Public Finance Law.

2. Means from the payment on account, transferred to the Intermediate Bodies accounts, shall be used for the soonest possible reimbursement of expenditures incurred by the Final Beneficiaries.

3. Intermediate Bodies will conclude agreements with Final Beneficiaries. The agreement will specify i.a. the contract value, including the amount of the EU funds divided into specific implementation periods (based in the anticipated project implementation schedule) and the national co-financing source (must be ensured by the Final Beneficiary).

8.5.8.3. Resources from ESF and from ERDF under Measure 3.4. Micro-enterprises

1. Based on the agreement signed with the IROP Managing Authority, provided for in Article 30b part 3 of the Public Finance Law, the Paying Authority transfers funds from the "programme" accounts of the Ministry of Finance respectively to accounts opened at the Intermediate Bodies level, at the District Branches of the National Bank of Poland. All accounts shall be separated from the accounts used for processing funds from the state budget. Legal basis for

operating separate accounts for accumulation of resources from structural funds is provided in Article 30d of the Public Finance Law.

2. Means from the payment on account, transferred to the Intermediate Bodies accounts, shall be used for the soonest possible reimbursement of expenditures incurred by the Project Promoters.

3. Intermediate Bodies will conclude agreements with Final Beneficiaries dealing with the IROP Priority 2 and for Measure 3.4. Micro-enterprises.

4. Final Beneficiaries dealing with the IROP Priority 2 and for Measure 3.4. Micro-enterprises will conclude agreements with Project Promoters.

8.5.8.4. Resources from IROP Technical Assistance

Based on the agreement signed with the IROP Managing Authority, provided for in Article 30b part 3 of the Public Finance Law, the Paying Authority transfers funds from the "programme" accounts of the Ministry of Finance to IROP Technical Assistance account opened at the IROP Managing Authority level in the National Bank of Poland. This account shall be separated from the accounts used for processing funds from the state budget. Legal basis for operating separate account for accumulation of resources from structural funds is provided in Article 30d of the Public Finance Law.

8.5.8.5. Planning funds for IROP implementation, including national co-financing

Resources from the structural funds will be conveyed to Final Beneficiaries in form of reimbursement of costs incurred on project implementation. Applying for co-financing from structural funds, the Final Beneficiary presents proposals for project funding including both structural funds and public funds and, where relevant, private funds. The Final Beneficiary should plan means for the project implementation at the appropriate level, ensuring financial liquidity throughout the project implementation.

If the Final Beneficiary is an institution which is financed from the state budget, respective funds should be planned either in the limit of the given budget part or in the targeted reserves. The planning mode, a set of standard forms are defined in the regulation by the Minister of Finance on detailed principles, mode and deadlines for development of materials for the draft budgetary act, issued under Article 82 part 4 of the Public Finance Law.

A regional self-government unit plans the funds for project implementation in its budgetary act.

Entrepreneurs, NGOs plan and collect funds for implementation of a given project, including their own share, within their own capacity.

8.6. Monitoring

8.6.1. Monitoring of projects implemented under IROP

Under Article 34 of Council Regulation No 1260/1999, monitoring includes both physical and financial indicators, which are tools for management through objectives defined in the operational programme and financial indicator monitoring, as a function of financial management of projects and programmes. In order to obtain efficient monitoring and evaluation of all public expenditures (both EU and national), dedicated units monitoring both

expenditure and the tangible impacts of public intervention are located within the IROP Managing Authority and each Intermediate Body (Voivodship Offices).

Units involved in the process of structural fund flows at all levels of management shall apply uniform monitoring principles. Reports and all information concerning the programme implementation are presented by all institutions involved in an agreed format and following standard procedures.

8.6.2. Monitoring Committees

8.6.2.1. IROP Monitoring Committee

Monitoring of the Integrated Regional Operational Programme is the responsibility of the IROP Managing Authority under the control of the IROP Monitoring Committees.

The representative of the IROP Managing Authority (Ministry of Economy, Labour and Social Policy) chairs the Committee and ensures support for its work (Article 35.2). The Committee meets at least twice a year.

The Committee consists of:

- representative of IROP Managing Authority (Ministry of Economy, Labour and Social Policy),
- representative of CSF Managing Authority (Ministry of Economy, Labour and Social Policy),
- representative of Paying Authority (Ministry of Finance),
- representatives of Monitoring and Control Units for ERDF and ESF,
- representatives of Intermediate Bodies (Voivods),
- representatives of voivodship self-governments (Marshals),
- representatives of self-governments at poviats and gmina's level,
- representative of Government Plenipotentiary for Equal Status of Women and Men,
- representatives of lead ministries for categories of intervention under the IROP,
- appropriate representation of economic and social partners, operating at national level, including as far as possible the organisations represented in the Tripartite Commission on Social and Economic Affairs.

Moreover, representatives of the European Commission and, if such a need arises, of EIB participate in the IROP Monitoring Committee's meetings in an advisory capacity.

Monitoring is carried out under the partnership principle. Monitoring Committees shall be set up by the Member State, in agreement with the Managing Authority after consultation with the partners and in accordance with its own institutional arrangements and practice. The partners shall promote the balanced participation of women and men.

Subsequent changes in the membership or composition of the Committees may be agreed by the Committee itself, subject to national legislation, without any requirement to amend the CSF or IROP.

Under Article 35 of the General Structural Funds Regulation, the Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of the Structural Funds assistance. This will include, as appropriate:

- examining and approval of selection criteria for each measure,

- periodical review of progress with regard to achieving the specific objectives of the Structural Funds assistance,
- examining the results of implementation especially achievement of the specific objectives/targets appointed for different measures as well as any evaluations carried out during the programming period,
- approval of Programme Complement together with basic financial and physical indicators, that are to be used for monitoring of the assistance, and any adjustment thereof,
- examining and approval of the Annual Report and the Final Implementation Report before they are submitted to European Commission,
- examining and approval of all proposals of changes to the content of the European Commission decision on the contribution of the Funds,
- proposing to the Managing Authority adjustments or revisions of the Structural Funds assistance, that enable achievement of the objectives or improvement of the assistance management, including financial management,
- approval of amendments arising from a proposal to the Managing Authority on its own initiative,
- approval of IROP Publicity Plan.

The committee may appoint permanent sub-committees and working groups, particularly for monitoring activities of horizontal nature (employment, equal opportunities, environmental protection and information society) and seek opinions of independent experts.

8.6.2.2. IROP Monitoring Subcommittees

In the case of the Integrated Regional Operational Programme – there will be 16 Monitoring Subcommittees in each voivodship respectively. The monitoring subcommittee is appointed by the relevant Intermediate Body, not later than 3 months following the date of the European Commission decision on the contribution of structural funds. The Voivod chairs the monitoring subcommittee and ensures support for its work. The Marshal holds the function of his deputy. The monitoring subcommittee's meetings convene at least four times a year.

The subcommittee consists of:

- representative of IROP Managing Authority (Minister of Economy, Labour and Social Policy),
- representative of Intermediate Body,
- representative of voivodship self-government,
- representatives of respective self-governments: poviats (districts) and gminas (communities),
- representatives of Final Beneficiaries dealing with IROP Priority II and Measure 3.4. Micro-enterprises,
- representatives of lead ministries for the IROP intervention,
- representatives of economic and social partners from the area of the voivodship.

Representatives of the European Commission may attend in an advisory capacity.

The composition of the IROP monitoring subcommittees shall be consistent with the equal opportunities principle.

The subcommittee considers annual and final reports on the implementation of the IROP in the respected voivodship and the annual report on irregularities found. Current information on irregularities is provided immediately by Final Beneficiaries- in cooperation with the Marshal Office. If necessary the subcommittee suggests to the IROP Managing Authority changes in the Programme Complement. The subcommittee may also propose improvement of the management and implementation system of the assistance, resulting from current reporting on irregularities.

The monitoring subcommittee may appoint permanent working groups, particularly for monitoring activities of a horizontal nature (employment, equal opportunities, environmental protection and information society).

8.6.3 Quantified objectives, key monitoring indicators

Under Article 36 of Council Regulation No 1260/1999, the Managing Authority of the Integrated Regional Operational Programme and the IROP Monitoring Committee shall carry out monitoring based on physical and financial indicators. Indicators set out in the IROP and specified at the level of measures in the Programme Complement shall be used for measurement of priority, measure and project implementation progress and evaluation of their effectiveness in physical and financial terms. These indicators shall be consistent with the CSF indicators. For the purposes of monitoring and evaluation of the output, result and impact of IROP implementation in the respective voivodship, the monitoring subcommittee shall apply financial and physical indicators set out in the IROP.

Criteria of indicators choice take into account rules recommended by the European Commission (appropriateness, availability, reliability, measurement, comparability).

Project data (and data on ultimate recipients for the ESF) are fed into the monitoring system. The quality of data and consistency is ensured between the CSF, IROP and Programme Complement, application forms, other forms and reports and monitoring system as far as possible. For the ESF measures (Priority 2) in the IROP, the main components of the monitoring system will be the same as for the Human Resources Development Operational Programme.

The major indicators and quantified targets for achievement of the strategic objective of the Integrated Regional Operational Programme as well as the assumed major impacts from the implementation of individual priorities under the programme are set out in Annex II, whereas indicators at the level of outputs, results and impact in respect of specific measures shall be defined in the Programme Complement.

8.7. Evaluation

Evaluation of the efficiency of actions undertaken is an essential element of IROP implementation progress monitoring, required under Article 40, 41 and 43 of the Council Regulation No 1260/1999. It is carried out based on both physical and financial indicators, achieved financial result and the evaluation of the efficiency of the administrative system for public fund disbursement.

8.7.1. Ex-ante evaluation (Article 41)

The ex-ante IROP evaluation was carried out as an element of a broader evaluation process which included at that time the CSF and all operational programmes. It involved both foreign and Polish external experts who co-operated on a current basis with the representatives of governmental administration at both central and regional level (Voivodship Offices) and self-government administration. Details of this process were included in the CSF.

The ex-ante evaluation covered preparation (at national level) of the analysis of the macroeconomic impact of structural funds and identification of the strong and weak points as well as the opportunities and threats both for the whole country and the specific situation in individual voivodships.

The analysis included in particular:

- ex-ante evaluation of the socio-economic situation in regions, including trends concerning the national labour market,
- ex-ante evaluation of the environmental situation in regions, with solutions ensuring coherence with the national and the EU policies within this scope,
- ex-ante evaluation in terms of equal opportunities of women and men on the labour market and at work relations.

The ex-ante evaluation also take account of the analysis of regional situation in terms of competitiveness and innovation, SMEs, employment and labour market. The evaluation allowed to estimate the cohesion between the strategy and selected targets and the specific features of given regions, demographic trends and the expected impact of planned priorities and actions.

8.7.2 Mid-term evaluation (Article 42)

Taking into consideration the short time of the Community Support Framework for the years 2004-2006, a mid-term evaluation of the IROP is not foreseen.

8.7.3. Ex-post evaluation

The effectiveness of IROP implementation is subject to ex-post evaluation.

The ex-post evaluation (Article 43) shall be carried out in co-operation with the Member State and the IROP Managing Authority. Done by independent experts, it covers the use of funds, efficiency and productivity of the assistance and its impact. The ex-post evaluation should be completed not later than three years after the end of the programming period.

8.7.4 Building of evaluation capacities, supplementary evaluations, and ex-post evaluation

Enhancing evaluation capacities within Poland's administration is a major objective during the programming period 2004-2006. This is a necessary process to make better use of evaluation already undertaken, to improve interventions of the 2004-2006 programming period, to prepare the *ex-ante* evaluation for future Structural Funds intervention after 2006 and to prepare the *ex-post* evaluation of the 2004-2006 period.

The creation of a National Evaluation Unit in the Ministry of Economy, Labour and Social Policy is a central element for enhancing Poland's evaluation capacities. Having regard to the significant level of ESF funding and to the linkages between the CSF and the National Employment Action Plan and the National Inclusion Action Plan, an ESF Evaluation function will be included in the National Evaluation Unit. Moreover, Poland will establish – in consultation with the Commission's services - a working plan for evaluation. *Inter alia*, this working plan will comprise:

- drawing up evaluation standards,
- limited number of supplementary evaluations of regional and horizontal nature. These evaluations will feed into review by the IROP Monitoring Committees and into the ex-post evaluation.
- improvement and development of indicators systems, their quantification and target setting

Those responsible for the evaluation within the IROP Managing Authority will act in co-operation with the IROP Monitoring Committee and IROP Managing Authority. Where appropriate, it will co-ordinate its activities on ESF with the Employment Policy and Inclusion Policy monitoring activities.

The results of evaluations shall be made available to the public, on request (Article 40, Regulation 1260/99).

8.8. Partnership

The IROP shall be implemented in line with the guidelines set out in Article 8 of the Council Regulation No 1260/1999 and the provisions of the law of regional development support principles of 12 May 2000. The mode of selection of representatives of social and economic partners is established by the IROP Managing Authority.

The representative body consists of: entrepreneurs and their organisations, employers and their organisations, trade unions, NGOs and scientific institutes.

The social partner representation appointed under the law of regional development support principles is informed and consulted by the IROP Managing Authority on issues relating to IROP implementation before each meeting of the monitoring committee.

The first stage of building a permanent partnership was effected between July and the end of October 2002, when broad social consultations of CSF, IROP and SOP projects took place. Participation in regional consultations arranged by the former Ministry of Economy and Marshal Offices amounted to about 5000 persons in all 16 voivodships. The debate was attended by the representatives of the European Commission in Brussels, representatives of all levels of regional self-government, central administration, regional state administration, social and economic partners, research and development institutes, academic centres, NGOs which actively co-operate with the voivodship self-government in many areas. Meetings were focused on seeking opinions and comments on the lines of development for the coming years indicated in the documents, opinions on the regional development objectives and priorities, set out at the CSF and IROP level. It was essential to obtain regional partners' opinion on the extent to which the CSF and IROP defined lines of development will promote enhancement of competitiveness of individual regions and contribute to prevent further diversifications within regions.

Social and economic partners identified at the IROP preparation stage at national, regional and local level participate also in the implementation of projects co-financed from structural funds, i.e. through participation in the works of RSCs, the IROP Monitoring Committee and

the 16 IROP monitoring subcommittees (more details on the involvement of social and economic partners are presented in Chapter 8.2.4 about steering and Chapter 8.7.2 – monitoring committees respectively).

Moreover, all social and economic partners are informed on a current basis about the structural fund assistance delivered. Under the provisions of Article 46 of the Council Regulation No 1260/99 and Commission Regulation No 1159/2000, the IROP Managing Authority is responsible for briefing all social and economic partners involved in the implementation of IROP on the EU financial involvement in project implementation. For that reason the IROP Managing Authority develops the Communication Action Plan for Information and Publicity and implements it in cooperation with Intermediate Bodies and Marshal Offices (the Communication Action Plan for Information and Publicity shall be included into the Programme Complement).

8.9. Reports and information and publicity

8.9.1. Annual and final IROP implementation reports

Within 6 months of the end of each full calendar year the Managing Authority of the Integrated Regional Operational Programme – the Ministry of Economy, Labour and Social Policy – will provide the European Commission with an annual report on programme implementation. Within 6 months from the final date of expenditure eligibility at the latest, under Article 37 Council Regulation No 1260/1999, the Commission shall be provided with the final report on IROP implementation.

Prior to submission to the European Commission implementation reports are verified and approved by the IROP Monitoring Committee.

The annual and final implementation reports include in particular:

- progress in the implementation of priorities and measures for each fund in conjunction with their respective targets with quantification of output indicators and impacts at the priority and measure level,
- financial assistance implementation, summarising total expenditures actually disbursed by the Paying Authority with the list of total payments received from the European Commission and financial indicators for each measure,
- any changes in general terms essential in view of assistance implementation, particularly changes in the major socio-economic trends, national policies, regional and sectoral policies and, in specific situations, also their impact on mutual cohesion of assistance from various funds,
- actions taken by the IROP Managing Authority and IROP Monitoring Committee in the field of ensuring quality and effectiveness of implementation of this programme document, particularly in respect of monitoring, financial control, evaluation, major problems encountered during assistance management, use of technical assistance and completed promotion tasks,
- actions taken for ensuring consistency with the EU policies and coordination of the EU structural intervention.

8.9.2. Information and publicity

The Managing Authority for the Integrated Regional Operational Programme is responsible for ensuring observance of the provisions of the Commission Regulation (EU) No 1159/2000, relating to application of information and promotion means used by the Member States in respect of structural fund assistance.

The IROP Publicity Plan is set out in the Programme Complement.

The information and promotion methods to be used are mainly aimed at informing the potential applicants on the opportunities in respect of providing common support for the projects under the regional operational programmes as well as on informing the public on the scope and size of the Community support for particular projects and on the outputs of these actions.

Responsibility for dissemination of information on the measures and projects assisted and achievements of the Integrated Regional Operational Programme is borne by the Managing Authority in cooperation with Marshal Offices, Voivodship Offices as well as Final Beneficiaries dealing with the IROP Priority II and the Measure 3.4. Micro-enterprises.

The main task of the Managing Authority is to raise awareness of the IROP interventions at the national level, especially by providing information to the general public and to ensure, that the whole system of IROP information and promotion works properly.

Marshal Offices bear the responsibility for structural funds promotion within voivodships. They coordinate all information and promotion actions within the region.

Designated units in the Marshall Offices are responsible for dissemination of information and promotion. The units will carry out the following tasks:

- delivery and dissemination of information on the fund which is used to support financially a project under IROP in the respected voivodship,
- delivery and dissemination of information on the projects implemented under IROP in the voivodship,
- initiation and implementation of additional promotion actions (such as information events).

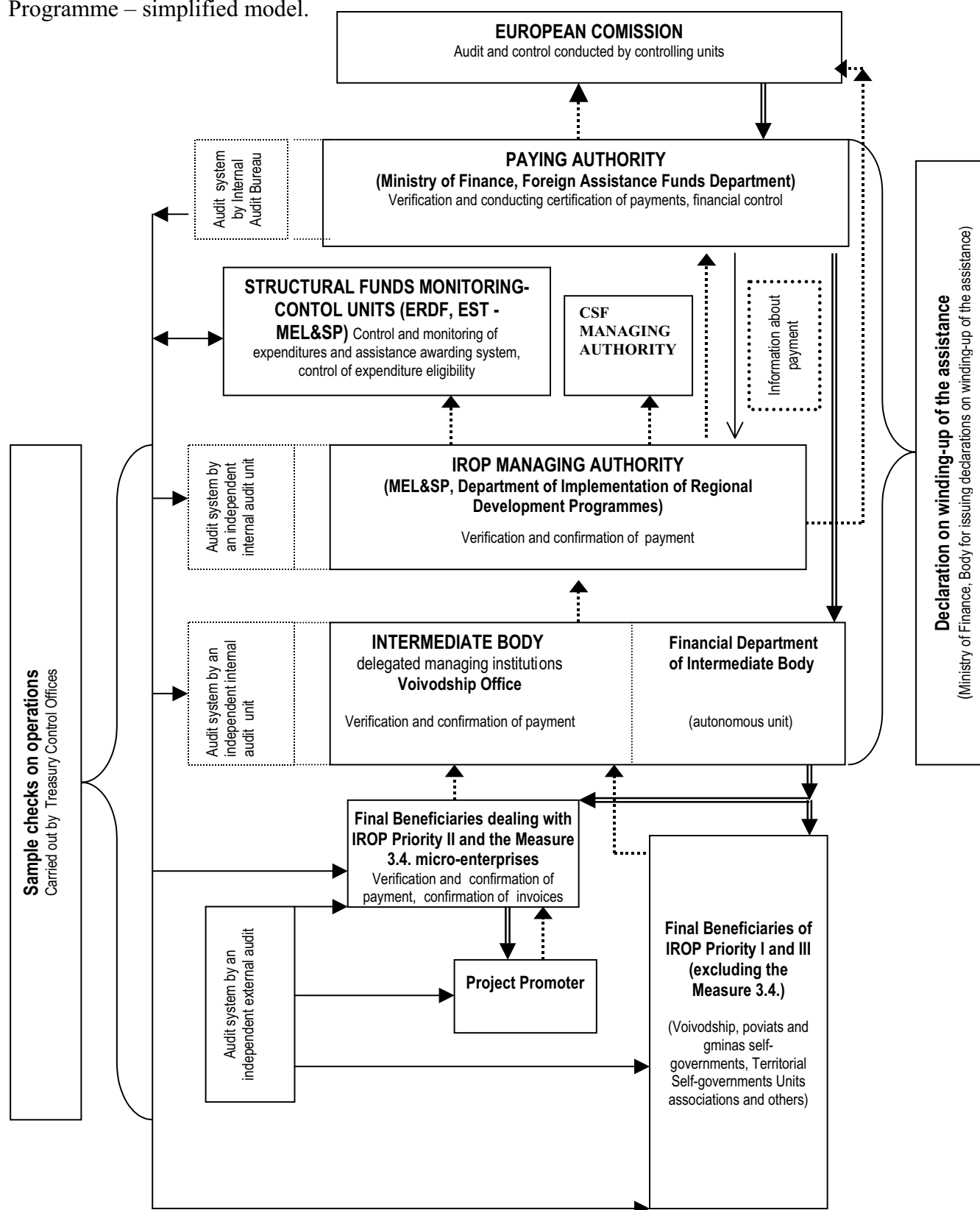
The Marshal Office units dealing with information dissemination and promotion also act as the main contact (apart from the Final Beneficiaries dealing with the IROP Priority II and the Measure 3.4. Micro-enterprises) for potential beneficiaries and general public. The Marshal Office also ensures accessibility of information materials and application forms.

The Voivodship Offices are responsible for providing information in respect of payments and monitoring procedures. They are also in charge of ensuring that the rules of visibility of measures co-financed by ERDF or ESF within IROP are complied with.

The Final Beneficiaries dealing with the IROP Priority II and the Measure 3.4. Micro-enterprises, bear the responsibility for information and publicity with respect to the measures, they implement. They should deliver all necessary information for potential and actual beneficiaries as well as the public about implementing procedures, projects and their outputs.

Information and publicity activities are subject to the regular individual programmes evaluation and to the IROP Monitoring Committee's assessment.

Chart 20. Financial management and expenditure control within Integrated Regional Operational Programme – simplified model.



	Flow of payments from ERDF and ESF	
	Verification and confirmation of payment from ERDF and ESF financial and material monitoring	Audit system

Chart 20a. Financial management and expenditure control for Technical Assistance.

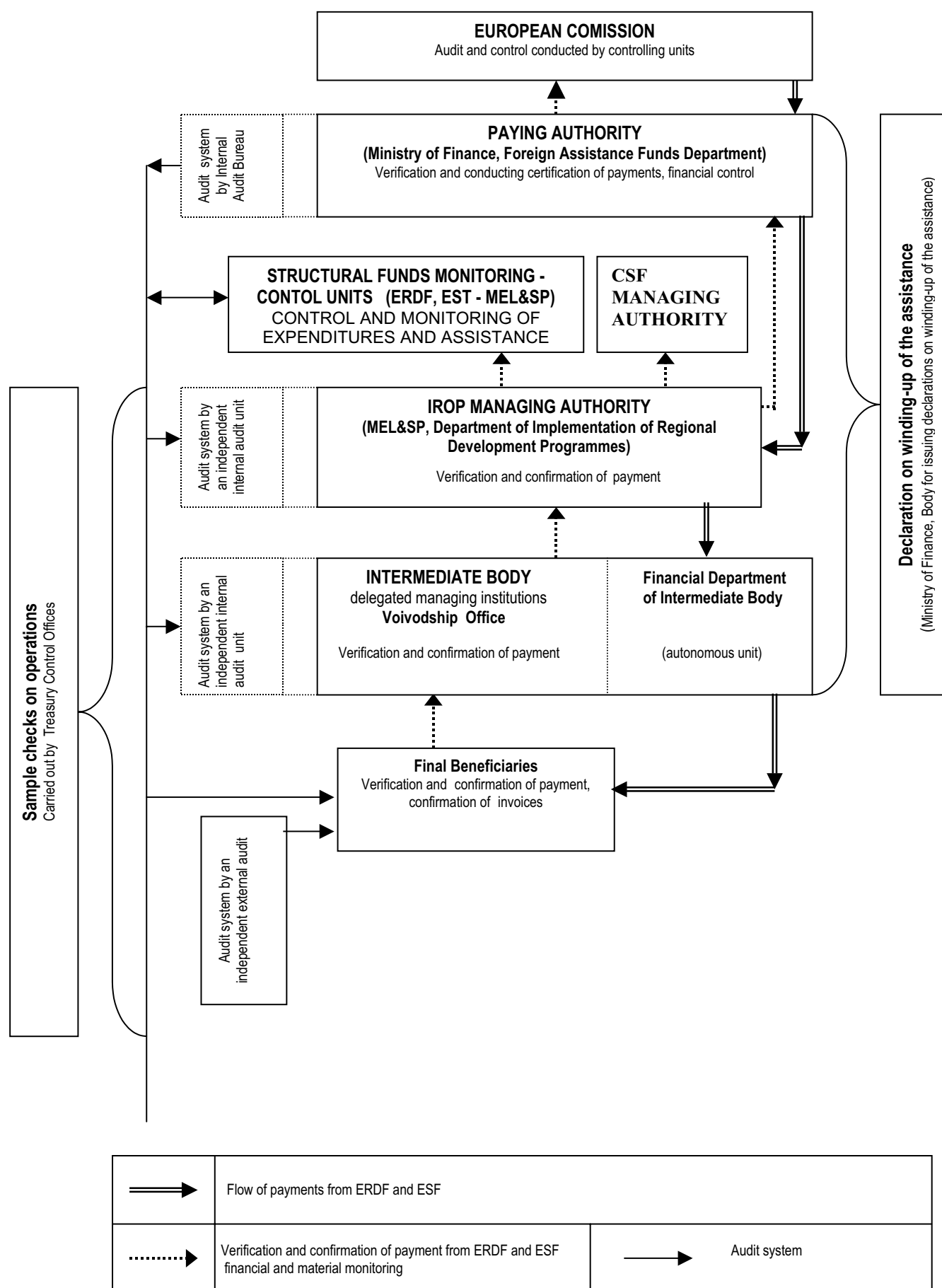


Chart 21.1. Institutional Diagram of the Integrated Regional Operational Programme for Priority 1.

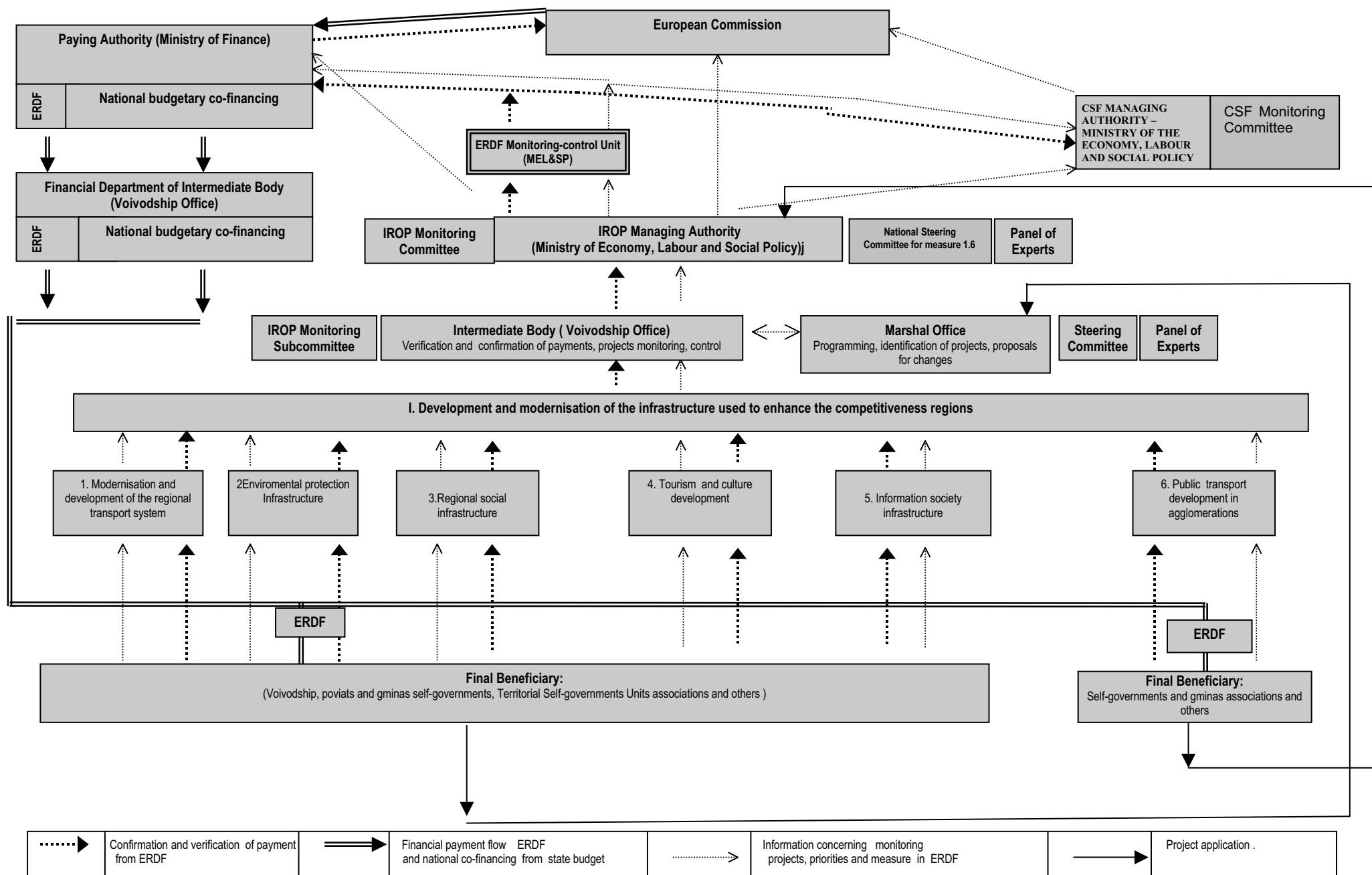
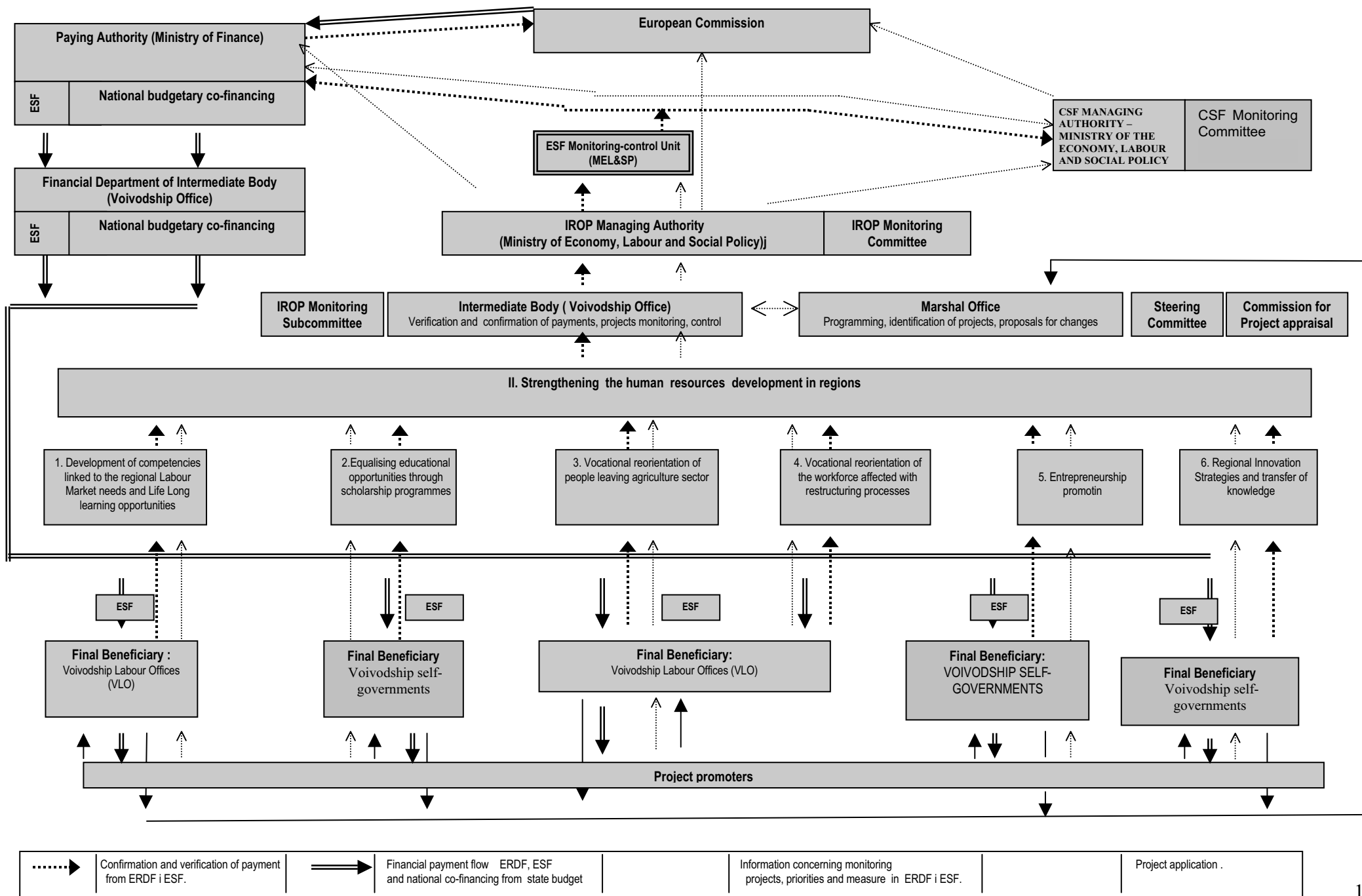


Chart 21.2. Institutional Diagram of the Integrated Regional Operational Programme for Priority 2



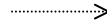
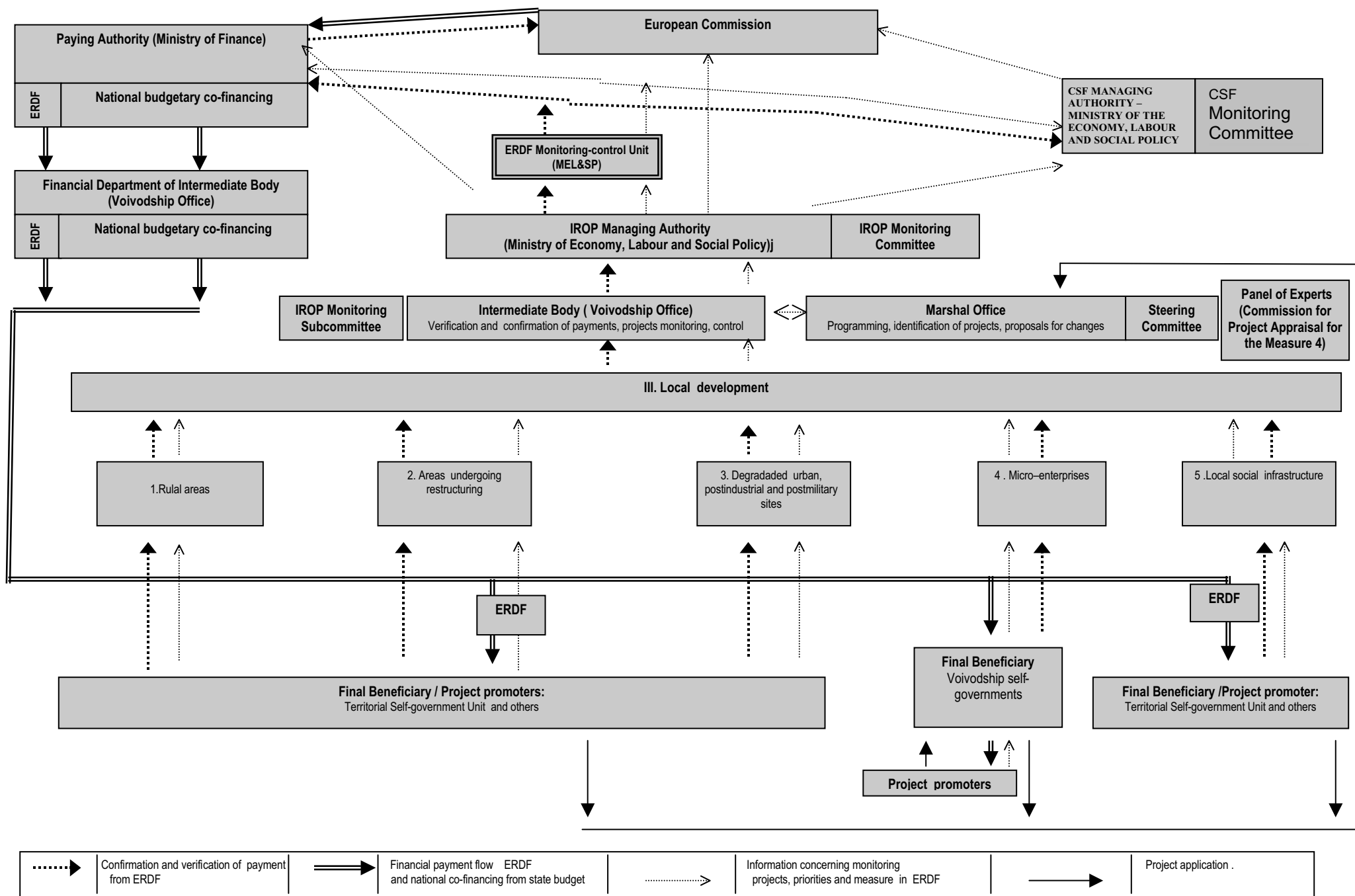


Chart 21.3. Institutional Diagram of the Integrated Regional Operational Programme for Priority 3



IROP – final version of 10.02.2004 taking into account results of negotiations between Poland and the European Commission

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Annexes

I. Regional Profiles (+Maps)

II. Indicators for IROP (2004-2006)

III. State Aid Table